Edition

BANGLADESH INCOME

Theory & Practice

- Nikhil Chandra Shil
- Mohammad Zakaria Masud
 - Mohammad Faridul Alam

with a temporal to an income and also but and

BANGLADESH INCOME TAX

THEORY AND PRACTICE

[Amended up to the Finance Act, 2024]

or trailer !

11 11 13 Roll to

The state of the s

Seventeenth Edition

Dr. Nikhil Chandra Shil, FCMA, ACMA (UK), CGMA, CPFA

Professor

Department of Business Administration
East West University

Dr. Mohammad Zakaria Masud, FCMA

949749-11736 A 11 19 15 1949

13 1 18 Reagon 1/10 11 13-54, 111

Associate Professor

School of Business and Entrepreneurship

Independent University, Bangladesh

marigon Dr. Mohammad Faridul Alam

Associate Professor and Director
Graduate Program [MBA & EMBA]
Faculty of Business Administration
American International University – Bangladesh

AMS PUBLICATIONS &

Committee Contraction

SHAMS PUBLICATIONS

Bangladesh Income Tax – Theory and Practice

All rights are reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical including photocopying, recording or any information storage or retrieval system, without prior permission in writing from the authors. Any person who does any unauthorized act in relation to this publication may be liable to criminal prosecution and civil claims for damages,

Published By

: AMS Publications

11 15

36, Bangla Bazar, 2nd Floor, Dhaka 1100; Mob.: 01932-282482

Shams Publications

4, Mirpur Road, Islamia Market, Nilkhet, Dhaka 1205; Mob.: 01749-198072

First Edition

: October 2007

Seventeenth Edition : December 2024

December 2024

Copyright

: All rights reserved by the authors

(Copyright registration no. 10107 - COPR)

Distributors

Brothers Publications

427, Islamia Market; Nilkhet, Dhaka 1205; Mob.: 01722-471339

Muhit Publications

4, Islamia Market; Nilkhet, Dhaka 1205; Mob.: 01818-608817

Liton Publications

67/A, Pioneer Road; Kakrail, Dhaka; Mob.: 01711-945949

Lekhaparar Al Strade Segretation of

38/2 Kha, Banglabazar, Dhaka 1100; Ph.: 02-47114283

Ingilab Publications

Books & Computer Complex; 38/3, Banglabazar, Dhaka 1100

Ph.: 02-223350694; 01712-891451

Book Garden

34, Shahi Jame Mosque Market, Anderkilla, Chattogram

Ph.: 031-2853546; 01711-963605

Nahar Library

53, Raja Mansion (1st Floor), Zindabazar, Sylhet; Mob.: 01771-630545

of the armitists local in

Serhind Book Corner

Begum Rokeya University Gate, Rongpur; Mob.: 01723-544701

Online Distributor

: www.litonpublication.com

ISBN

: 984 – 300 – 000975 – 5

Price

: Tk. 600 (Taka Six Hundred) Only

Bangladesh Income Tax – Theory and Practice; by: Dr. Nikhil Chandra Shil, FCMA, Dr. Mohammad Zakaria Masud, FCMA, Dr. Mohammad Faridul Alam; Fublished by: AMS Publications & Shams Publications, Dhaka; Seventeenth Edition: December 2024; Price: Tk. 600 (Taka six hundred) only.

With the Dark

name someone a managemen Acknowledgments quagguare in the

ty for a second constitution of the second const

10827 1082

Dedicated to Our Parents

Acknowledgments

Welcome to the Seventeenth edition of Bangladesh Income Tax: Theory and Practice. We wish to thank the many people who helped us during the writing, editing, and production of our book. First, on our list of acknowledgments are our families and friends. We thank them for their patience and understanding as we were writing this book. We also wish to thank those instructors and practitioners who reviewed the earlier editions of our textbooks and provided many useful suggestions for improving the current edition.

Many of our colleagues and professional acquaintances were also extremely helpful. Each of those who have offered comments and suggestions has our thanks. All the feedback were enormously helpful in preparing the seventeenth edition of our book Bangladesh Income Tax: Theory and Practice. In this regard, we would like to express our deep sense of gratitude to them.

We would also like to express our deep sense of gratitude to all the writers of income tax and VAT related reference books in Bangladesh which were also helpful sources to us to update the chapters based on the latest provisions of the relevant Acts.

Delicated to Our Perents

About the Authors

Dr. Nikhil Chandra Shil is a professor at East West University (EWU). Before joining EWU, he has worked at American International University - Bangladesh and Daffodil International University. He also worked as a guest fecturer at the Bangladesh University of Engineering and Technology and the Institute of Cost and Management Accountants of Bangladesh (ICMAB). He has obtained his BBA and MBA degree with a concentration in accounting and information systems from the Department of Accounting and Information Systems at the University of Dhaka. He has done his Ph.D. from the same department. He is a fellow member of ICMAB, associate member of Chartered Institute of Management Accountants (CIMA), UK, a Chartered Global Management Accountant (CGMA), and a professional member of Chartered Institute of Public Finance and Accountancy (CIPFA), UK. He has several publications in local and international journals and editorial books. He has attended various national and international seminars, symposiums, and workshops. He can be

reached at nikhilacc@yahoo.com.

Dr. Mohammad Zakaria Masud is an associate professor at Independent University, Bangladesh (IUB). Before joining IUB, he worked as the professor and director of academics of ICMAB and Chairman of the Green Business School at the Green University of Bangladesh. Dr. Masud worked in the education industry in וייה והכ different capacities and at various institutes, e.g., American International University - Bangladesh, East West University, Dhaka City College, Bangladesh University of Engineering and Technology, and Southeast University. He also worked as a visiting faculty (Palme Scholar) at the University of Gavle, Sweden. He was a casual academic staff and course coordinator at the La Trobe University and the Federation University, Australia. He has obtained his BBA and MBA AL T degrees in AIS from the Department of Accounting and Information Systems at the University of Dhaka. He received his Ph.D. from La Trobe University, Melbourne, Australia. He is a fellow member of the ICMAB. He has several publications in reputed local and international journals and editorial books. He has attended various national and international seminars, symposiums, colloquiums, of the .

and workshops. He can be reached at zkmasud@yahoo.com.

Dr. Mohammad Faridul Alam is working as an associate professor, Department of Accounting and the Director of the Graduate Program [MBA & EMBA] at American International University - Bangladesh (AIUB). Before joining AIUB. he has worked as a senior lecturer and assistant proctor at East West University and as a lecturer at the BBA Program of the Department of Business Administration in Dhaka City College. He also worked as a guest lecturer at the Bangladesh University of Engineering and Technology (BUET) and the Institute of Business Administration [IBA], University of Dhaka. He has obtained his BBA and MBA degree with a concentration in accounting and information systems from the Department of Accounting and Information Systems at the University of Dhaka. He obtained the Doctor of Business Administration degree from the Institute of Business Administration [IBA], University of Dhaka. He has several publications in reputed local and international academic and professional journals. He has attended various national and international seminars, symposiums, and workshops. He can be reached at mfalamsumon@gmail.com.

lide bitani tarde Mani

orti 4

Preface to the Seventeenth Edition

We are expressing our deep sense of gratitude to the almighty Allah for giving us the effort to complete the Seventeenth Edition of the book "Bangladesh Income Tax: Theory and Practice". The acceptance of the earlier editions of the book among readers throughout the country has encouraged us to present the thoroughly updated and revised sixteenth edition of the book.

This book has been contributing to the students, practitioners, and faculty members of various educational institutions for more than seventeen years. It aims at not only making the reader understand the provisions of Bangladesh income tax and other tax laws but also helping them develop the ability to apply it.

A new income tax law in Bangladesh titled "The Income Tax Act, 2023" came into force on June 22, 2023 through a gazette notification repealing and replacing the old law "The Income Tax Ordinance, 1984". This book tried to present the various provisions of the newly introduced law in a reader-friendly manner, supplemented by a good number or practical illustrations.

As in earlier editions, this edition of the book incorporates many special features to enhance the coverage of chapter materials and to help students understand chapter concepts. For example, each chapter begins with an outline and a list of learning objectives that emphasize the important subject matter of the chapter. Each chapter ends with a list of key points and includes sufficient multiple-choice questions, True/False identification, discussion questions, and problems that will be helpful to both the instructors and students.

This edition of our book includes significant changes based on the Finance Act, 2024; the Value Added Tax and Supplementary Duty Act, 2012; Income tax circulars and relevant SROs. We have also considered the comments and suggestions of our valued readers. The book also enumerates discussions along with illustrations regarding Income Tax, Value Added Tax, Gift Tax, Customs Duty, Travel Tax, Excise Duty, Baggage Rules, etc. which we expect to be helpful for the students to the academic needs of their taxation courses and more to make them feel an academic thirst for excellence.

Every effort has been made to avoid errors or omissions in this book. Despite this, some errors might have crept in. Any mistake, error, or discrepancy noted may be brought to our notice which shall be taken care of in the next edition. If any confusion arises, we suggest all the readers to cross-check the respective contents, and facts with original government publications and all notifications of laws, rules, regulations, and SROs published thereof. All types of suggestions for the improvement of the book from teachers, practitioners, and students would be taken with humble courtesy.

the Committee of the Arman Arm

Dhaka: December 2024

Dr. Nikhil Chandra Shil Dr. Mohammad Zakaria Masud Dr. Mohammad Faridul Alam

Preface to the First Edition

We are expressing our deep sense of gratitude to the almighty God for giving us the effort to complete the book "Bangladesh Income Tax: Theory and Practice". The literature on Income Tax is, of course, without any paucity. This book on Bangladesh Income Tax: Theory and Practice is a little effort to enrich the existing income tax literature in Bangladesh. The present book, catering to the basic academic requirements of students of Commerce under BBA, MBA, BBS (Hons.) programs of various public and private Universities in Bangladesh and also to the students of CMA and CA courses, is an earnest attempt to present the inner sense of the income tax law and practice in Bangladesh. In fact, we have presented the subject to make the readers aware that the law of Income Tax is unique and interpretation of it is an art by itself. We have endeavored our best to present a well-covered package of review questions to highlight the conceptual issues. This book is just to cater to the academic needs of their courses and more to make them feel an academic thirst for excellence. The key strengths of this book are the clear and readable discussions of various provisions of ITO, 1984 and the detailed demonstrations of these provisions through illustrations, explanations and relevant case references.

This text includes the thoughts and contributions of many individuals, and we wish to express our sincere appreciation to them. First, and foremost, we want to express our deep sense of gratitude to Mr. Swapan Kumar Bala, FCMA and Prof. Dr. Syed Masud Hossain, from whom we have learned the joy of educational process regarding taxation courses. We would also like to thank our students from whom we have been inspired a lot. In many respects, this text is an outcome of the learning experiences we have shared with our teachers and students.

Second, we wish to thank the many outstanding teachers and authors in taxation who have been serving the students and academicians for a number of years with their resourceful books and writings. Their creative works have contributed a lot in making this text a more effective learning tool. We especially wish to thank: M.A. Baree, FCA; Dr. Monjur Morshed Mahmud; Dr. Kanchan Kumar Purohit; Dr. Milan Kumar Bhattacharjee; Fazlul Haque, FCA; M. A. Akkas; Md. Waliullah; Md. Helal Uddin, FCA; Syed Anwarul Islam; S.M. Mahbubul Islam and Md. Mahbubur Rahman.

We also wish to thank Prof. Dr. Mohammed Sharif, Vice Chancellor, East West University; Prof. Dr. Md. Abdul Hye, Dean, Department of Business Administration, East West University; Prof. Mamtaz Uddin Ahmed. President, ICMAB; Prof. Md. Hafiz Uddin, Principal, Dhaka City College for their encouragement and valuable suggestions. We are indebted to our colleagues in East West University and former colleagues in Daffodil International University and Dhaka City College for helping us to reach our goal of writing the best possible Bangladesh Income Tax related text.

Above all, we extend our deepest appreciation to our friends and families who continue to provide the encouragement and support necessary for this textbook project. Despite our best effort to ensure the accuracy, some mistakes or errors may still remain in the book. If any, we shall try to minimize in our subsequent editions. All types of suggestions for the improvement of the book from teachers and students would be taken with humble courtesy.

Nikhil Chandra Shil Mohammad Zakaria Masud Mohammad Faridul Alam

Dhaka: October 2007

Bangladesh Income Tax Theory and Practice

Brief Table of Contents

Chapter 1	Mitroduction	
Chapter 2	Busics of Income Tux	1 - 39
Chapter 3	Income Exemptions, and Allowances	.19 - 9ij
Chapter 4	Income Tax Authority	99 - 139
Chapter 5	Income from Employment	140 - 155
Chapter 6	Income from Rent	156 - 195
Chapter 7	Income from Agriculture	196 - 225
Chapter 8	Income from Business	226 - 249
Chapter 9	Capital Gain	250 - 290
Chapter 10	Income from Financial Assets	291 - 307
Chapter 11	Income from Other Sources and Additional Heads of Income	308 - 334
Chapter 12	Deduction of Taxes	335 - 355
Chapter 13	Advance Income Tax	356 - 401
Chapter 14	Set Off and Carry Forward of Lasses	402 - 416
Chapter 15	Return of Income	417 - 433
Chapter 16	Assessment, Refunds, and Recovery of Tax	434 - 457
Chapter 17	Assessment of Individuals	458 - 482
Chapter 18	Assessment of Firms	483 - 543
Chapter 19	Assessment of Company	544 - 573
Chapter 20	Penalty: Appeal Offenses. & Prosecution	574 - 649
Chapter 21	DTA and Tax Planning	650 - 676
Chapter 22		677 ~ 688
Chapter 23	Value Added Tax and Supplementary Duty Gift Tax	689 - 772
Chapter 24	Customs and Other Taxes	773 - 786
	The state of the s	787 - 807

Hele .

4 1 E

Bangladesh Income Tax Theory and Practice

(ATT	Detutieu Tub	te of Contents
Chap	ter 1: Introduction	
1.1	Public Finance	and the second of the second o
1.2	Public Finance Vs. Private Finance	No to the second of the second
1.3	IIIIDUI LAIILE OI PUDIIC FINANCE	
1.4	Meaning and Sources of Public Revenue	A STATE OF THE STA
1.5	Definition of Tax	
1.6	Characteristics of Tax	The second secon
1.7	Purposes or Objectives of Taxation	(1) (1) (1) (1) (1) (1) (1) (1) (1) (1)
1.8	Tax Base	
1.9	Canons of Taxation	The state of the s
1.10	Characteristics of a good tax system	to an extreme the first of the second
1.11	Tax in Economic Development	- And Angle profits of Manager (2015年) ロールイル
1.12	Tax Burden and its Allocation Approaches	1
1.13	Impact, Incidence, Effect and Burden of Tax	Payeer Flux on Fax Anthority
1.14	Tax Shifting	1
1.15	Classification of Taxes	
1.16	Effects of Taxation	
1.17	Tax Structure in Bangladesh	
1.18	Ranking of Bangladesh in Ease of Paying Taxo	<u> </u>
1.19	Income Tax - Concept and Definition	.
1.20	Characteristics of Income Tax	
1.21	Objectives and Importance of Income Tax	and the control of th
1.22	Income Tax in Economic Growth of Banglade	sh removement to a little bit of the little to the street of the street
1.23	Scope of Bangladesh Income Tax Law	general state of the transfer of
1.24	Schemes of Bangladesh Income Tax Law	7 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
1.25	History of Income Tax Law in Bangladesh	engricidam kili bu nori i in vitus in 🕒 🥞
1.26	General Rights and Obligation of a Taxpayer	34
	A Date of Language Tax	Chapter & In one from Employment
Chap	ter 2: Basics of Income Tax	incremental terms of the fill server 40
2.1	Income Tax Payment Cycle in Bangladesh	At the state of th
2.2	Income Year and Assessment Year	Kaff to waste against and a sufficient of the
2.3	Assessee and Person	हैं भिराब सर एक दियार केल्प्सिक
2.4	Determining Residential Status	gangacilla the state of the state of the State of 60
2.5	Computation of Total Income	41. (c) (d) (d) (d) (d) (d) (d) (d) (d) (d) (d
2.6	Charge of Income Tax: Basic Principles	and the second of the second o
2.7	Charge of Surcharge	4524 Section 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
2.8	Charge of Additional Tax	was term of a fit to product to the
2.9	Income Tax Rates	6
2.10	Charge of Minimum Tax	
2.11		it, Import and Export 1954 Entire Sum and to I guid?
2.12		
2.13	eren on Refained Editifies, Reserve	s, sui pius Ecc.
2.14	Charge of Tax on Stock Dividend	rary Disclosure of Income
2.15	Special Tax Treatment: Investment or volunt	tary Disclosure of Income

2.16	Rates of Income Tax in Certain Special Cases und	er the Seventh Sched	tile on a statement account comme	
2.17	Reduced Tax Rate on Certain Agro-Based/Agricu	ltural Income		76
2.18	Reduced Rate on Certain Industrial Companies			78
2.19	Special Tax Exemption for Companies in the Econ	nomic Zones or Hi-te	ch Parke	78
2.20	Reduced Tax Rates in Miscellaneous Cases			82
2.21	Taxpayer's Registration	*	W	83
			The second second	84
Chan	ton 3. Income Examptions and Allowan	cae		
AND DESCRIPTION OF THE PERSON NAMED IN	ter 3: Income, Exemptions and Allowan	ces		
3.1	Definition of Income		of Skids watchers.	at - Imma
3.2	Characteristics of Income			100
3.3	Capital and Revenue Receipts and Expenditures			101
3.4	Losses			101
3.5	Scope of Total Income and Total World Income			104
3.6	Classification of Income – based on Locality			104
3.7	Classification of Income - based on Assessment			105
3.8	Effects of Income Classification on Assessment			
3.9	Sources/Heads of Income			108
3.10	Casual and Non-manuscript			110
3.11	Casual and Non-recurring Income			111
3.12	Non-assessable/Tax-exempted Incomes			112
3.13	Tax Credit Income or Investment Allowance			113
3.14	Tax Holiday Scheme			125
	Tax Rebate on CSR Related Expenditures			130
I.		A 10 M		135
Chap	ter 4: Income Tax Authority			
4.1	Introduction			
4.2				
4.3	Appointment of Income Tax Authorities			141
44	Types of Income Tax Authorities			141
4.4 4.5	Responsibilities, Activities, and Jurisdiction	art value or		142
4.6	National Board of Revenue	484 X 1 8 1 1 1 2		143
4.7	Taxes Appellate Tribunal		in the second of the second	144
4.8	Role of Civil Courts regarding Income Tax			145
	rowers Regarding Collection of Information			146
4.9	rowers Regarding Search and Seizure	obstaced in market		146
4.10	Powers Regarding Call for Hearing	THE TALL STATE	Francisco de la companya de la comp	148
4.11	Powers in Certain Cases	All Mill March	and the second of the second o	151
4.12	Assistance to Income Tax Authorities	The first of the second	Land of the second	152
		一种特别是大学。 大麻	REPART OF STATE OF	153
Chan	ter 5: Income from Employment			
E 1	ch s. Income from Employment	1 . T	manife et al Co	
317	Chargeability of Income under Employment Relevant Definitions			
9,2	Relevant Definitions	ं भेड विकास के ।	Process Carlos	157
g ₁₂	Elements of Salary and Chargeability of Tax	Secret Y to se	trong the same of any co	
9:4	Non-assessable Salary Incomes		The second second	160
5,5	Salary Items included in Investment Allowers	. នាក	Mr. Haterstein gen	165
5,3 5,4 5,5 5,6	r rovident runds	4. 15	attrib for property	167
5.7	Approved Superannuation Fund (ASF) or Pens Approved Gratuity Fund (ACF)	_ spice of the	Ed. W	169
5,8	Approved Gratuity Fund (AGF) or Pens	ion Fund (APF)	, v. f	172
5.9	Tax Deducted at Source from Salary			172
66	and accounte from Salary			172
Chap	ter 6: Income from Rent and Control of the	Total State of State of		
6.1	Introduction	the force		
6,2	Scope of Income from Rent			197
6.3	Preconditions of Income for		to an to the state of the	197
6.4	Preconditions of Income from Rent			19/
0.4	A Diagnostic View of the term 'Ownership'	*** ** * *		198

.5 .6	Computation of Total Rental Value Rental Status of the page	
.7	Rental Status of the Property Admissible Expense	
3	Admissible Expenses Tax Dodger	And the control of the second
	AN DEUHCHON at 0	
	Maintaining Bank Account by Property Owner	
	Toperty Owner	
or p c	· Income fuer	
	Introduction Agriculture Agriculture Agricultural Income: Scope and Classification	
	Agriculture	
	Agricultural In-	the counce only Council and the council and
	Agricultural Income: Scope and Classification Characteristics of Agricultural Income Some Typical Agricultural Income	
	Some Typical A Agricultural Income	See the second of the second o
)	Some Typical N	
	Admissible Francisco Admissio Admissible Francisco Admissible Francisco Admissible Francisco	Was the the state of the state
	Admissible Expenses Set off and Common Set of and Common Set of S	Hammar to a stage of the second
	Set off and Carry Forward of Losses Non - Assessable Agricult	
	Par icultural in a	The Driver of Fig. 1.
apt	er 8: Income from Business	built to contra mes in a gently
•	Introduction Business	The Company of the Season of t
	Marioude (1011	
	Meaning of Business	s sayind Mine on Assetting the State of the
	Scope of Rusings 1	Difference of the contract of
	mowable Deductions / A Jan	Work to be all more than the state of the
	Depreciation Allowance	Single of the control
	Amortization Allowance	The second Second Second States
	Dad Debt Expenses	**************************************
	Interest Expense or Duckit	Street A.
	General Conditions for Allowable B.	ter 12: Deduction of Taxes
)	The state of the s	acoust as a
1	Startup Sandbox	angr. x + / /
2	Method of Accounting	The own subsect to Deduction at South
3	Balancing Allowance/Charge and Capital Cair	A CAR THE LINDS OF THE STREETS
4	Set on and Carry Forward of Loss	 strantent della sen et establiche accessorations
5	Tax Free Income under Sixth Schedule	What is and to the self-self-self-self-self-self-self-self-
		CONTROPHISAL OF SOLDER SALE
	ton 0. C-11. 1.C. 1	the seage of the protection of the seafure, so the reperior
up	ter 9: Capital Gain	Production of
	Introduction	acrostice of a Societies.
	Definitions	Remaining the remaining
		Fore 1700 Coverament
,	Basis of Charge Republic and Probable Sections Computation of Capital Gains	times thank of the state of the same of a state of a
	Tax Rate	
•	Apportionment of Sale Proceeds	es 13. Advance become Lux
7	Tax Exempted Capital Gains	
	Carry Forward of Loss	ter Kontako ya perinda. Perindako ya ya Mandalari
1		TVER SIME 250 YEAR TO SEE TO DEED TO SEE TO
		The same of the sa
ap	ter 10: Income from Financial Assets	wat 9000 km na na na mana mana mana mana mana ma
1	Introduction	annanger her words that issue of a significant of the significant of t
.2	Scope of "Income from Financial Assets"	$\begin{array}{cccccccccccccccccccccccccccccccccccc$
).2).3	Basis of Taxation	$\begin{array}{cccccccccccccccccccccccccccccccccccc$
	Conditions for Taxation	マリンカンルがファンスです。 On Co 新加いがCo social Architecture ステ
0.4	Classification of Securities	r Anna Maria (Maria de Caracteria) de la compansión de la compansión de la compansión de la compansión de la c La compansión de la compa
0.5	a from Financial Assets	A Company of the second company of the secon
.6	Grossing up of Income from Financial Assets	The state of the s
).7	Grossing up of income from the first	the traffic of the state of the

Charles of

10.8	Admissible and Inadmissible Expenses		
10.9	Tax exemption on Income from Financial Asset	**	316
10.10	Cum-Interest and Ex-Interest Transactions	· ·	317
10.11	Bond Washing Transactions		317
10.12	Investment in Financial Assets included in Inve	actmont All	319
10.13	Interest on Savings Instruments	estillent Allowance	
	The state of the s		319
Cha	mham 11. Taranana Caran Olland	,	319
11.1	pter 11: Income from Other Sources and	l Additional Heads of Income	
11.2	meroduction	,	
11.2	Scope of Income from Other Sources	Control of the Contro	336
11.4	Royalty		336
11.5	Fees: License, Professional & Technical Service	•	336
11.6	Cash subsidy paid by the government		337
11.7	Income from Transfer of Assets		338
11.8	Receipt of any Contribution, Donation, or Gift		338
11.9	Typical Income (Unexplained Investments) to	be included under Income from Other Sources	339
11.10	income not classified under any Head	or included under income from Other Sources	339
11.10	Allowable Deductions		
11.12	""""""""""""""""""""""""""""""""""""""	Original Thomas	342
11.12	The total Lutter v Income Winning		344
11.13		ct.	344
11.15	THE OF THE CHIEF THE AND AN AND		344
11.16	roreign income	Switzen 2 . W	345
11.10	Income of the Spouse or Minor Child	Searing 4 officer pages	345
14.		9.00	345
Char	ter 12. Doduction CT		347
12.1	ter 12: Deduction of Taxes	$r = r \cdot r$	
12.2	IllEroduction	Title .	
12.3	Advantages	and the state of t	
12.4	income subject to Deduction at a	P. Marine J. G. Commission and Commi	357
12.5			357
12.6	Deduction of Taxes from Non-residents Deduction of Taxes at Source General Pulsance	This letters and a second second second	357
12.7	Deduction of Taxes at Source	The SHIP SHIP SHE BELL TO A THE SHIP SHIP SHIP SHIP SHIP SHIP SHIP SHIP	357
12.8	deficial Kules Applicable on The	- 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1	373
12.6	consequences of Failure to Dad	wishested object on a line of the second	374
12.9			386
12.10	Certificate of Deduction		387
	Manner of Payment of TDC	Comment of the Comment	388
12.12	THIE OF LOS Dorms		390
12.13	Powers of Income Tax Authority to V		390
36	Powers of Income Tax Authority to Verify and	Enforce Deduction/Collection of Tour	391
Chan	ton 12. A 1	enter language and an area are	391
13.1	ter 13: Advance Income Tax	$\frac{1}{4} \frac{1}{2} \frac{1}{4} \frac{1}$	
	iiid oduction	rigger (La librar e la librar	
13.2	Who is liable to pay Advance Tax?	sand hita. Lago i	441
13.3		250 MAR 1111 088	403
13.4			403
13.5	Consequences of Excess / Definition of Advance Tax	. B A. B.	404
13.6	Consequences of failure to pay Advance Tax	or to Leanne Janua Linam ad Assets	404
13.7			
13.8	Advance Tay on Cortain I	Company of the Compan	407
13.9	Auvairce Tax for the Owners of D.	Section 1 to the section of the sect	407
13.10	Delay Interest Owners of Private Motor (Car	407
13.11	Payment of Advance Tay and	en.	407
13.12	Payment of Advance Tax on the basis of Return Advance Tax Matrix	1 de les fait mages de la constant	408
	AN INDUIN	The wind of the section of the secti	409
			409

Chap	ter 14: Set Off and Carry Forward of .		01
14.1	Introduction		418
14.2	Set Off of Losses		418
14.3	Carry Forward of Losses		419
14.4	Speculation Business		420 422
14.5	Unabsorbed Depreciation		423
14.6	Business Loss and Unabsorbed Depreciation	and the second second	463
Chan	ter 15: Return of Income		
-		the office of the state of the	435
15.1	Who is Required to File a Return?		435
15.2	Person Not Required to Submit Return Who is Authorized to Sign a Return?		436
15.3	What Should a Return Accompany By?		436
15.4	When to File a Return?		437
15.5	Submission of Return of Withholding Tax		437
15.6	Tay Computation in case of Filing of Deturn		437
15.7	Tax Computation in case of Filing of Return Special Provisions regarding General Return Consequence of Filing of Incomplete Return	and Daviged Peturn	438
15.8	Consequence of Filing of Incomplete Return	and Revised Return	439
15.9	Submission of Return of Withholding Tax	and the second second	439
15.10	Notices for Accounts and Documents		440
15.11	Statement of Assets Liabilities and Life State	er og Pendlig. Tenari Offenses, av com	441
15.12 15.13	Forms of Return		442
15.13	1 011113 01 Return	the state of the s	1/2
	. 46 A		1.05
Chap	ter 16: Assessment, Refunds, and Rec	overy of the	450
16.1	Assessment: Definition	ga filteres greet at at the	459 459
16.2	Assessment Cycle	Francis Committee	461
16.3	Types of Assessment	CT!	469
16.4	Bar to Question Assessment and Limitation o	f Assessment in Terms of Time	
16.5	Assessment: Some other basic issues	Asserting a view of the contract of the contract of	471
16.6	Audit Procedure	tron world was to art have to a week at the art	475
16.7	Recovery of Tax	gradiant consisting to the constant of the con	479
16.8	Refunds		
	ethi interior	per 22. Laine Added Fax end Socytenia	Cha
Chan	ter 17: Assessment of Individuals	20 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	
	Introduction		484
17.1	Coope and Sources of Total Income	- 1 (1) (1) (1) (1) (1) (1) (1) (1) (1) (484
17.2	Computation of Total Income and Tax Liabilit	y a the same a first and a first	484
17.3	Non-assessable Income for an Individual		845
17.4	Tax credit Income/Investment Allowances		846
17.5	o		487 487
17.6	Tax Computation in case of Filing of Return		40/
17.7	Tax Computation in case of	the state of the second of the second	
	. (Timus	The first of the second of the second	55
Chap	ter 18: Assessment of Firms		545
18.1	Introduction		545
18.2	Partnership and Partner	The second of th	545
18.3		TC	546
18.4		is a second to the second to the second	547
18.5	a corresponding of the corresp	The state of the s	547
18.6	Spouse or Minor Unite III a x IIII		548
18.7	Spouse or Minor Child III a Time Partners' Share in the Firm's Profit or Loss Partners' Pure from Partners		548
18.8	Partners' Share in the Firm's Profit or Loss Unrecoverable Tax Due from Partners Unrecoverable Tax Due from Special Cases	The second of th	549
18.9	Unrecoverable Tax Due Holling Land Cases Assessment of Firm's in Special Cases		
and a se			

Chi	apter 19: Assessment of Company	and the second s	
19.1	•		
19.2			575
19.3			575
19.4			577
19.5			577
19.6			578
19.7 19.8	Advance Payment of Tax Fiscal Incentives		578
19.9			579
19.10			580 582
19.1			589
19.12	? Tax Compliances	ent(3) 1	591
19.13	Assessment Procedure		594
31	Assessment: Banks		596
54.4	Assessment: Pharmaceuticals		615
सा	Assessment: Food & Cosmetics		620
64		The state of the s	628
(H)	Assessment: Insurance	to the few resignations of the second	634
044		the state of the s	636
Chap	oter 20: Penalty, Appeal, Offenses, & Pi	Osecution	
	ind oddelion		
20.2	Penalty provisions	and the state of t	651
20.3	Provisions of D		651 651
20.4	Provisions of Appeal	(# 3 / X 3 / 2 3)	655
20.5 20.6	Anternative Dispute Resolution		656
20.0	Offences and Prosecution	STORY AND ADDRESS OF THE PARTY	663
591	Vital 13 William T on treasure A	to make the second of the seco	669
Chap	ter 21: DTA and Tax Planning	IO ROUGHIEL LONG TOWN OF THE STATE OF	71
21.1	Double Taxation Relief / Avoidance Acres	sales manusas guido apaca passe issues	1
21.2	Tax Planning: Concept and Meaning	991g,995,50 g ap	678
		At. 1 3 Tree - 1 - 1	683
Chap	ter 22: Value Added Town	में सम्बद्ध	003
22 1	ter 22: Value Added Tax and Suppleme	ntary Duty	
22.2	oudchon	ester for Assessment of Individuals	4 **
22.3	History of VAT		690
22.4	Evolution of VAT in Bangladesh		690
22.5	Definition and Characteristics of VAT Advantages of VAT	Simulated And Dilly Active and the second	690
22.6	DISAUVantages of WAT	2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	691
22.7	Rationales in Introducing VATI	Casha Within Inomigantal constraint	692
22.8	Rationales in Introducing VAT in Bangladesh Contribution of VAT in Bangladesh Scope of Bangladesh	EPHHELICATE COLORS	692
22.9	Scope of Daliblanech Value Add 1	THE REPORT OF SOME STATE OF THE	693
22.10	""POLIGIIL PERTITOR OF WATER D		693 694
22.11		Service M. A. C. S.	694
22.1 2	Sales Tax and VAT	The first measures, at the	695
22.13	Relevant Definitions & Concepts of VAT	7 3.7 3.7	697
22.14	The state of the s	Application of the state of the	698
22.15		Senter by a sent that we have the sent of	707
22.16	Manner of VAT Collection on Imports	Topological Committee Comm	715
22.17	Maille Ul VA I Collection on C-		725
22.18	The state of the conferment of the state of	en de Co eq e en les grandes de la company	727
2.19	The second of the Pavalle Tay by the Tr	and Parimont Thomas	728
2.20	Tax Invoices and Other Documents	CONTRACTOR OF THE PROPERTY OF	731
			735

22.21	Imposition and Collection of Supplementary Duty	735
22.22	Imposition and Collection of Turnover Tax	738
22.23	Accounting of Value Added Tax	738
22.24	Accounting of Turnover Tax	741
22.25	Filing of Return and Amendments Thereto	741
22.26	Carry Forward of Negative Amount and Refunds	744
22.27	Value Added Tax Authorities	746
22.28	Offence, Trial and Punishment	751
22.29	Appeals and Revisions	753
22.30	Miscellaneous	755
Chap	ter 23: Gift Tax	
23.1	Introduction	774
23.2	Definition of Gift	774
23.3	Scope of Bangladesh Gift Tax	774
23.4	Chargeability	774
23.5	Exemptions	775
23.6	Valuation of Gift	776
23.7	Return	777
23.8	Assessment	777
23.9	Penalty for default and concealment	778
23.10	Notice of Demand	778
23.11	Recovery of tax and penalties	778
23.12	Appeal	778
23.13	Rates of Gift Tax Rates of Gift Tax Rates of Gift Tax	779
Chap	ter 24: Customs and Other Taxes Dillo V109111	
24.1	Introduction	788
24.2	Bangladesh Customs	788
24.3	Objectives of Customs Act and Procedure	788
24.4	Customs Procedure	789
24.5	Scope of Bangladesh Customs Law	790
24.6	Statutory Definitions of Important Terms as per Section 2 of the Customs Act, 1969	790
24.7	Customs Authorities	792
24.8	Prohibited Goods	794
24.9	Levy of Customs Duties	794
24.10	Exemptions from Customs Duty	795
24.11	Valuation of Goods for Imposition of Duty	796
24.12	Date for determination of rate of duty, value and exchange rate for imported goods	796
24.13	Prevention of Smuggling, Powers of Search, Seizure etc.	797
24.14	Offences and Penalties	798
24.15	Alternative Dispute Resolution	798
24.16	Travel Tax	799
24.17	Excise Duty	800
24.18	Baggage Rules	801
24 19	Narcotics Duty	805

income lax—I(B)

e (18 and panel to **Bangladesh Income Tax** Theory and Practice Commence of the Commence o

and property of the company and exchange the form

considered that done of Insportant Terms as per frett and of the fine of its and the constant

894 33.

18: ne"

1

and the said and conventional

and the administration of rand pacedure

graffic as two the adiques by any area.

well smotsup discholars by the constant

Profession age (1)

March Colons of a

923642421...30

Burn outpart Automotive Str. Market Str. VIEW Same of the World of the name

Introduction

"The art of taxation consists in so plucking the goose as to get the most feathers with the least hissing."

— Jean Baptist Colbert

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

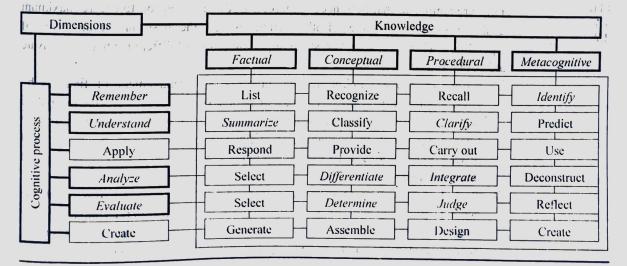
- CLO 1.1 explain the concepts of public finance and taxes
- CLO 1.2 determine the sources of public finance and taxes
- CLO 1.3 differentiate various types of taxes
- CLO 1.4 evaluate the features of taxes and a tax system
- CLO 1.5 explain taxes and public finance of Bangladesh
- CLO 1.6 explain the implications of taxes and public finance
- CLO 1.7 integrate historical orientation in existing taxation system
- CLO 1.8 summarize the rights and obligations of a taxpayer

KEY TERMS

Public finance, Maximum social advantage, Tax, Tax burden, Tax shifting, Cannon of taxation, Bangladesh tax structure, Income tax, Income tax law, Rights & obligations

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and the four levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



1.1 CLO 1.1

PUBLIC FINANCE

The government of a country generally performs two types of functions, namely, The government of a country generally ported in the government of a country generally ported in the government of a country generally ported in the inference of law-and-order situation etc.) and obligatory functions (e.g., defense, maintenance of law-and-order situation etc.) and obligatory functions (e.g., defense, maintenance) and optional functions (e.g., providing various facilities to its citizens like infrastructure, optional functions (e.g., providing various functions adequately and occurrence) optional functions (e.g., providing various adequately and efficiently health, environment etc.). To perform all these functions adequately and efficiently. health, environment etc.). To perform an appear the real beneficiary of the public government requires funds from the public who are the real beneficiary of the public government requires funds from the government should collect revenue and how it should spend it for the maximum benefit of the society is a matter to be decided by should spend it for the maximum political and socio-economic characteristics of a country. The science that deals with the income and expenditure of the government and the principles, problems and policies relating to these matters is known as public finance. A few definitions will support the view:

"Public finance is the study of the principles underlying the spending and raising of funds by public authorities." - Findlay Shirras · 養養性を受けることのできることできるというできます。

KEY IERMS

"Public finance is one of those subjects which lie on the border-line between economics and politics. It is concerned with the income and the expenditure of public authorities and with the adjustment of the one to the other." - Hugh Dalton

> "Public finance deals with the provisions, custody and disbursement of resources needed for the conduct of public or governmental functions." - H. L. Lutz

> -tife Section - Arote in rounding in the Section in the Arote in the A There is hardly any fundamental difference in the central idea of the above definitions i.e., public finance relates to the income and expenditure of a government.

CLO 1/1 1.2--

PUBLIC FINANCE VS. PRIVATE FINANCE

saming out in the faction

The basic principles of public finance and private finance are same. Individuals and states are similar in that both need resources. Both has intension to secure maximum results from their resources. Both attempts to get the best out of all items of expenditure. There are, however, some important points of difference between private and public finance. They are

- □ Nature of entities: Public finance involves the management of finances by government entities (local, regional, or national) and focuses on funding public goods and services for the benefit of society as a whole. Contrarily, private finance deals with the management of finances by individuals, businesses, and private organizations. It focuses on optimizing wealth and resources for personal or corporate gain.
- ☐ Period of Time: For an individual, there is no definite period over which the
- accounts must be balanced. State tries to balance its budget in the course of year. Objectives: Public finance aims to provide public goods and services, ensure economic stability, and achieve equitable distribution of income. Its goal is

7.7.	ATTE AND	Societal wellate and combine development Fired intake weeks of
		maximizing individual or corporate wealth, ensuring financial stability, and
		achieving profitability. The goal is to optimize resources for private gain
		Revenue sources: In public finance, revenue primarily comes from taxation,
		borrowing (national debt), public enterprises, and government fees. In private
		finance, revenue comes from individual earnings, business profits, investments,
		and other private sources.
35		Decision making: Public finance decisions are made through a political process.
		involving government officials, legislators, and public institutions. These
		decisions are often subject to public scrutiny and aim to meet the needs of the
154	. 1	population. Private finance decisions are made by individuals, families, or
		business managers, typically based on maximizing financial returns and
· Y · · · · · · · · · · · · · · · · · ·		achieving personal or business goals.
		Scope: The scope of public finance is broader, affecting entire populations and
(Caranto and a		economies, with long-term impacts on social welfare, economic growth, and
real Heading Control	tr 31	distribution of resources. Contrarily, the scope of public finance is narrower,
10 ST 1414 13		focusing on individual or corporate financial health, personal well-being, and
	*	business growth.
The foods for a		Accountability: In public finance, governments are accountable to the public and
rai soor you		must justify their spending and revenue collection through budgeting processes.
site in a symmetric		audits, and transparency measures. In private finance, individuals or businesses
ealem s Cabb	i, m	are accountable to themselves or their shareholders. Financial decisions are often
		driven by market forces, profit motives, and risk management.
ecomend alded	10 11	magnesia, traditio, service or or or or other transfer set (4.16). The contraction of
The grand day	TM	PORTANCE OF PUBLIC FINANCE
II . O o inam		lic finance plays a crucial role in the economic and social development of a
CLO	COLL	ntry. Its importance can be understood from various perspectives, including
1.60	13.1	assistability aguitable distribution of resources, and the provision of essential
9 19. st (86.1) .	nuh	lic goods and services. Below are some key reasons why public finance is
grades a fee out	imn	ortant:
hatomera or in	и <u>іііі</u> р	Provision of Public Goods and Services: Public finance ensures the availability of
	ш	essential goods and services that the private sector may not provide efficiently or
		aguitably such as education healthcare, infrastructure, defense, and law
to compoliu in		C services are vital for societal well-being and economic
comment 2 bits.	- 1.0f.	development
e Theory		Economic Stability: Through fiscal policies (taxation, government spending, and
24.2.00.5	بهر	development. Economic Stability: Through fiscal policies (taxation, government spending, and borrowing), public finance helps stabilize the economy. Governments can
		counteract inflation or recession by adjusting their expenditures and revenues,
Э	UU	thus promoting steady economic growth and preventing economic fluctuations.
		Padistribution of Income: Public finance plays a critical role in reducing income
bu		inequality. Through progressive taxation and social welfare programs (such as
		unemployment benefits, pensions, and subsidies), governments can redistribute
thought of the salt		wealth, helping to reduce poverty and support vulnerable populations.
Patition 110	0.12	- Wedinit include to see the second of the

_	Efficient Allocation of Resources: Public finance ensures that resources are
	Lie neede By (III culled towalds seet
	can support long-term economic growth and address market failures where
ŧ	
	private investment may be lacking. Support for Economic Development: Governments use public finance to invest in
u	critical infrastructure projects (roads, bridges, energy, communication networks)
	critical infrastructure projects (roads, bridges, energy remaind networks)
	and human capital (education, healthcare). These investments create the
	roundation for sustainable economic growth by improving productivity and
ш	Public Debt Management: Public finance is essential for managing national debt. But controlling homeonics levels and ansuring that public
	sustainable, governments can prevent excessive interest payments and financial
	Promoting Social Welfare: Public finance funds social welfare programs that
	of and unemployment benefits. By investing in social near
_	
	Clisis Management: In times of economic crises (such as C
• •	
	The state of the s
	of crises and supports recovery efforts.
	Tubile Accountability and Transposes and
	involves transparent processes, such as budgeting, auditing, and reporting. This ensures that public funds are used responsibly and the such as budgeting.
482 x 11	ensures that public funds are used responsibly and that government actions are aligned with the needs and interests of the population.
A STANLEY	aligned with the needs and interests of the population.
	Childrental Susiainantiffy Cast.
di n	environmentally sustainable projects and enforce regulations that promote the use of renewable energy, reduce pollution, and address all
	of renewable energy, reduce pollutions that promote the use
	of renewable energy, reduce pollution, and address climate change. By investing in green initiatives, public finance contributes to the second of the second
, .	in green initiatives, public finance contributes to long-term environmental
In	summary, public finance is critical for ensuring the efficient allocation of
resc	ources, maintaining economic stability, promoting and the efficient allocation of
Suct	princhl Stability Dromoting

sustainable development. It enables governments to fulfill their responsibilities toward society by funding essential services, infrastructure, and welfare programs.

CLO

· Bu

1.1

1.2

MEANING AND SOURCES OF PUBLIC REVENUE

Public revenue refers to the income that the government receives from various sources to finance its activities, such as providing public services, infrastructure, and welfare programs. Public revenue is essential for the functioning of the government, as it funds essential services like education, healthcare, law enforcement, and defense.

It also helps governments manage economic stability, reduce inequality, and invest in long-term development.

Sources of Public Revenue

K I STORY

Public revenue is typically categorized into two main types: tax revenue and non-tax revenue. Below are the primary sources of public revenue:

Tax revenue: It is the first and foremost source of public revenue. Taxes are compulsory payments to government without expecting direct benefit or return by the taxpayer. Taxes collected by Government are used to provide common benefits to all, mostly in form of public welfare services. The government collects tax revenue by direct & indirect taxes. Direct taxes include income tax, gift tax and wealth tax and indirect taxes are custom duty, excise duty, VAT, supplementary duty, service tax etc.

Borrowing: While not a regular source of revenue, governments often borrow money to finance expenditures when revenues are insufficient. Borrowing can take the form

of issuing bonds, taking loans from international financial institutions (such as the World Bank), or borrowing from domestic financial markets.

Money Creation: In certain circumstances, governments may resort to creating money Money Creation: In certain circumstances, Both through their central banks to finance expenditures. This is usually a last resort and can lead to inflation if not managed carefully

In summary, public revenue comes from a combination of taxes and non-tax sources. In summary, public revenue comes from and consumption taxes, is the largest Tax revenue, particularly from linearing from public component, but non-tax revenues such as fees, fines, and earnings from public enterprises also contribute significantly to government income. This revenue allows the government to fulfill its role in providing public goods, ensuring economic stability, and promoting social welfare.

CLO ~ 1.1.

JAMES OF LOW

10 1600 1d of "

द्रात १५४ हो । अप

10 30102 Jane

incompletes or

He at the area

Inamental Mail

Hadinibe at a s

enoughteet at a

431112 16,110

Se 110 3 30 Line of Most

de a mainda a

DEFINITION OF TAX

The word "tax" originates from the Latin word "taxare," which means "to assess." "evaluate," or "estimate." In Roman times, the word was used in the context of assessing the value of goods or property, particularly for the purpose of levying charges or duties on them. The Latin word "taxare" evolved into "taxer" in Old French, carrying the similar meaning of assessing or imposing a charge or levy. The word "tax" entered the English language during the Middle English period (roughly 1150-1500) through the Norman influence. By this time, "tax" had taken on its modern meaning of a compulsory charge or levy imposed by the government on individuals or property to raise revenue for public purposes. It is a non-penal but compulsory and unrequited transfer of resources from the private to the public sector, levied based on predetermined criteria.

> According to Article 152(1) of the Constitution of Bangladesh, taxation includes the imposition of any tax, rate, duty or impost, whether general, local or special, and tax shall be construed accordingly. Taxes are the most important source of revenue of the modern governments. It is a compulsory levy, to be paid by the citizens who are liable to pay it, imposed by the government. Many economists like Seligman, Adam Smith, Bastable, Taussig and Dalton hold the unanimous opinion that tax is a compulsory payment to the government by taxpayer without any expectation of some specified return. The followings are the various definitions of tax given by different economists:

"'tax' means the income tax payable under the income tax act and includes any additional tax, excess profit tax, penalty, super tax, fine, interest, fees or other charges leviable or payable under this act" - Section 2(21) of the ITA 2023

"A tax is purely and simply a contribution, whether direct or masked which the public authorities imposes a contribution whether direct or masked which the public authorities imposes authorities impose upon the inhabitants or goods for the purpose of defraying and the the government expenditure." - Leroy Beaulieu and appropriately

"A tax is a compulsory contribution imposed by a public authority irrespective of the exact amount of service rendered to the taxpayer in return and not imposed as penalty for any legal offense." – Dalton

"Taxes are compulsory payment to government without expectation of direct return in benefit to the taxpayer." – P. E. Taylor

The above definitions make it clear that taxes are compulsory contribution by the taxpayer to the government.

1 6 CHARACTERISTICS OF TAX

CLO

1.4

Alternation

CLO 1.4

1.6

The characteristics of a tax may be studied under the following heads:

- ☐ Tax is levied by the government as per Sec 83 of the Constitution of Bangladesh.
- Payment of taxes is non-penal and compulsory; hence refusal to pay a tax is a punishable offence.
- An element of sacrifice is there in the payment of a tax as they pay the taxes in order to ensure public interest.
- The aim of tax collection is to finance the government expenditure to ensure public interest and welfare.
- Tax is not the cost of the benefit conferred by the government on the public. The benefit received from the country is not directly the return of tax.
- gnt of the only of the prime sources of revenue for the government.
 - ☐ Tax is not any fine or penalty.
 - Tax can only be imposed by the government of a country.

PURPOSES OR OBJECTIVES OF TAXATION

Taxation is a major source of revenue for the government, In order to accelerate economic development as well as to ensure the defense, administration, social welfare and other development activities government needs huge amount of resources. Taxation is a way to transfer the resources from private or non-government sectors to government sectors. The main purposes or objectives of tax are enumerated below:

- Revenue collection: Tax is a major source of revenue for the government. In Bangladesh tax revenue accounts for nearly 85 percent of the total government revenue. Therefore, the first and foremost aim of taxes is to raise public revenue to meet the over increasing public expenditure.
- Reduction of inequalities in income and wealth: One of the main objectives of taxation is to reduce inequalities in income and wealth. This is possible by taxing rich people heavily and to confer benefit to the poorer section through progressive income tax, wealth tax, expenditure tax etc.
- Accelerating economic growth: In order to ensure the economic growth, the tax system must be so designed as to raise the rates of savings and investments. This savings may be invested in productive sectors of the country.

- Control of consumption: The government not only raises revenue through taxation, but it also imposes restriction on the use of certain goods and services in a way desirable and respectable for a healthy state of the society. Taxes on intoxicant, tobacco etc. raise public revenue no less than other taxes but their main aim is to prevent the deterioration of health of general public. More tax is also levied on luxury goods to reduce their use.
- Protection of local industries: In order to protect the local industries from the uneven competition government may provide tax incentives for poor local industries and so, should design the tax policy to ensure the protection of poor local industries.
- Economic development: The tax revenue can be used by the government to ensure the economic development of the country. It can be used to build the infrastructure, to invest in social security programs, in various poverty elevation programs. Government can invest in productive sectors and can reduce unemployment.

So, it can be said that the purpose of tax is not only the collection of revenue, but also to ensure the economic development and social welfare of the country. But it is only possible when the country designs the tax policy in an effective and efficient manner.

1.8

of above get

TAX BASE

CLO 1.1 A tax base is a total amount of assets or income that can be taxed by a taxing authority, usually by the government. It is used to calculate tax liabilities. This can be in different forms, including income or property. A tax base is defined as the total value of assets, properties, or income in a certain area or jurisdiction. To calculate the total tax liability, the tax base must be multiplied by the tax rate i.e. (Tax Liability = Tax Base × Tax Rate). The rate of tax imposed varies depending on the type of tax and the tax base total. Income tax, gift tax, and estate tax are each calculated using a different tax rate schedule.

one to to accelerate the social velfare to the social velfare.

CANONS OF TAXATION

1.9

11911 1191

Canons of taxation refer to the administrative aspects of a tax. They relate to the rate, amount, method of levy and collection of a tax. In other words, the characteristics, or qualities which a good tax should possess are generally described as canons of taxation. According to Adam Smith, there are four canons or maxims of taxation other economists some of which are explained below:

tives :

Adam Equality, Certainty, Economy, Convenience Elasticity, Productivity, Simplicity, Expediency Bastable

A48 2 "

estra

ation . No to	ARI DO	Canon of Equality. The canon of equality implies that the burden of taxation
		must be distributed equally or equitably in relation to the ability of the taxpayers.
ster.		Equity or social justice demands that the rich people should bear a heavier burden
		of tax and the poor a lesser burden.
		Canon of Certainty: The canon suggests that the tax which an individual must
		pay, should be certain and not arbitrary. The taxpayer should be well informed as
	,	to the time, amount, and the method of the payment of tax.
		Canon of Economy: Every tax ought to be so contributed as both to take out and
		to keep out of pockets of the people as little as possible, over and above what it
		brings into the public treasury of the State.
<i>y</i>		Canon of Convenience: Every tax ought to be levied at the time or in the way it is
JI. *		most likely to be convenient for the contributor to pay it.
		Canon of Productivity/Adequacy: The State should be able to function with the
	the Section	revenue raised from the people by means of taxes which should adequately cover
president and a		the government expenditure and cannot be forced to resort to deficit financing.
		Canon of Simplicity: This norm suggests that tax rates and tax systems ought to
and the	. *	be simple, plain, and intelligible to the common understanding.
ie unico		Canon of Elasticity. The tax system should be flexible so that it is possible for
2016	1.119	the authority to revise the rates and system with the least inconvenience to
		increase or decrease the revenue.
		Canon of Diversity. A tax system should not be based on a single tax or only a
		few taxes. There should be a large variety of taxes so that all the citizens, who
ELET OF 1 77 FF	11 711	can afford to contribute to the State revenue, should be made to do so. There
iii. 501 — 120 i		should be a wide admixture of direct and indirect taxes.
Identisticati		Canon of Expediency: A tax should be determined on the ground of economic,
And to De	Tara dan	social, and political expediency.
Profession 1		Canon of Functional Efficiency: A tax policy and system of a country should be
- 1500	(it II)	effective and efficient so that it can generate sufficient revenue for the
177 H-14-	pt.	government to ensure the economic development of the country. The system
H . C	7 73 1	should be able to reduce the harassment and tax avoidance.
assubes, e.e.	3.7	TOTAL CART CARE AND A STATE OF THE CARE CARE AND A STATE OF THE CARE CARE CARE CARE CARE CARE CARE CAR

A tax system with the above canons will be able to generate sufficient revenue and fulfill the objectives and purposes of taxation.

1.10 CLO

1.4

CHARACTERISTICS OF A GOOD TAX SYSTEM

Tax has a very important role in the economic development of a country. As a major source of government revenue, tax ensures the availability of resources for the various development programs undertaken by the government. A good tax system is one which has predominantly good taxes and which fulfils most of the canons of taxation and yields sufficient revenue yet cause minimum aggregate sacrifice to the people and minimum obstruction to incentives for production. When a satisfactory balance is struck between these two objectives, it is an ideal tax system. In order to be treated as a good tax system, it should be featured with following characteristics:

Bangladesh Income Tax - Theory and Practice

	Tax should be levied based on fundamental principles of taxation like the
•	principle of least sacrifice, cost, and benefit and above all ability to pay. Taxes should follow the most important canons, i.e., it should be equitable,
	convenient to pay, certain, economical, productive, and elastic.
1 6 4.	☐ Tax system should be balanced containing both direct and indirect nature of taxes
	so that it can maximize government revenue.
	☐ The tax authority should be supported by sufficient simple laws and rules, skilled
The State of	
(*) (*)	Tax system should have positive effect on production and distribution without causing any adverse effect upon ability and willingness to work, save and invest.
ti .	The tax system should be so framed as to ensure that the productive resources of
•	the economy are optimally allocated and utilized. For this purpose, it is essential
an day	that the tax system should be economically neutral.
TE / N	A good tax system has least collection cost to collect maximum amount of taxon
f 4,	The tax system should provide no scope for the evasion of tax by the taxpayer.
$= O(\hat{\alpha} _{L^{\infty}}) + c + c + c$	
	Above all, the tax system should abide by the principle of maximum social advantage
101 M/11 - 3	sometime society is benefited to the maximum effect possible. Maximin
0' 55/65 - 15	advantage or least aggregate sacrifice is not the task of one tax, but from all the taxes.
	eta
	TAX IN ECONOMIC DEVELOPMENT
CLO	The classical economists were in view that the only objective of taxation was to raise
1.6	government revenue. But with the changes in circumstances and ideals in the changes
Silven	of taxes has also been changed. These days apart from the object of recipients
	revenue, taxes are levied to affect consumption production and distribution.
of Land	view to ensuring the social welfare through the economic development of
\mathcal{A}^{r}	For such instance, tax can be used as an important tool in the following manner
Tiple of a	- Spilliam direction of available resources. Tax is the most important sources
	public revenue. The imposition of tax leads to diversion of resources from the
	taxed to the non-taxed sector. This revenue is allocated on various productive
an 57 95 %	sectors in the country with a view to increasing the overall growth of the country
	Tax revenue may be used to encourage development activities in the less
	developed areas of the country where normal investors are not willing to invest.
	Raising government revenue: In modern times, the aim of public finance is no
	merely to raise sufficient financial resources for meeting administrative expenses
·	for maintenance of law and order and to protect the country from foreign
	aggression. Now the main object is to ensure the social welfare. The increase in
	the collection of tax increases the government revenue. It is safer for the
	government to avoid borrowings by increasing tax revenue. □ Encouraging savings and investment. Since developing sources like
	Encouraging savings and investment: Since developing countries lik Bangladesh has a mixed economy, care has also to be taken to promote capital
	formation and investment both in the private and public sectors. Taxation polic
	is to be directed to raising the ratio of savings to national income
	is to be directed to raising the ratio of savings to national income.



Define tax.

(b) State the canons of taxation as specified by Adam Smith.

	Reduction of inequalities in income and wealth: Through reducing inequalities in
	income and wealth by using an efficient tax system, government can encourage
	people to save and invest in productive sectors.
	Accelerating economic growth: Tax policy may be used to handle critical
, ,	economic situations like depression and inflation. In depression, tax policy is set
	to increase the consumption and reduce the savings to increase the aggregate
	demand and vice versa.
	Price stability: In under-developed countries, there is another role to maintain
	price stability to ensure growth with stability.
$\prod_{i \in \mathcal{I}_{i}} \prod_{i \in \mathcal{I}_{i}} \sum_{i \in \mathcal{I}_{i}} \prod_{i \in \mathcal{I}_{i}} \prod_{i$	Control mechanism: Tax policy is also used as a control mechanism to check
1 1	inflation, consumption of liquor and luxury goods and to protect the local poo

industries from the uneven competition. Taxation is the only effective weapon by which private consumption can be curbed and thus resources transferred to the State. Thus, the economy can ensure sustainable development. strained are taken to

Thus, it can be said that the economic development of a country mainly depends on 19 114.61 Jim he presence of an effective and efficient taxation policy.

TAX BURDEN AND IT'S ALLOCATION APPROACHES

Tax burden is considered as the amount of tax paid by a person, company, or country see in a specified period considered as a proportion of total income in that period. For 1.4 bits of the country is computed by gnied at of the ordinated taking the total tax payments for a particular fiscal year as a fraction or percentage of To robbit the Gross National Product (GNP) or national income for that year. The following grand and the same popular approaches are evident to allocate the tax burden.

od of too it its

The Expediency Approach

Under this approach, every tax proposal must pass the test of practicability. It must be the only consideration weighing with the authorities in choosing a tax proposal. Economic and social objectives of the state and the effects of a tax system should be treated as irrelevant since it is useless to have a tax which cannot be levied and and of instance, collected efficiently. There are pressures from economic, social, and political groups having their own agenda and authorities are often forced to reshape tax structure to accommodate these pressures. In addition, the administrative set up may not be of the first perfection of collect the tax at a reasonable cost of collection. Taxation provides a powerful set of policy tools to the authorities, and should be effectively used for alleviating economic and social problems of the society such as income inequalities, regional disparities, unemployment, cyclical fluctuations and so on.,

The Socio-Political Approach

Adolph Wagner is the pioneer of this approach. He emphasized that social and political objectives should be the deciding factors in choosing taxes. Each economic problem should not be focused through individualist approach rather should be looked at in its social and political context to find out an appropriate solution. A tax system should not be designed to serve individual members of the society but should be used to cure the problems of the society. This approach advocates a modern welfare approach in evolving and adopting a tax policy that can be used for reducing income inequalities. Wagner believed that private property and inheritance were the result of state policies and not because of any God-given rights. The State, therefore, should have the right to control the ownership of property and its inheritance in the interests of the society. Wagner's ideas, though much criticized at that time, are now the hallmark of fiscal policies of modern state.

The Benefits Received Approach

This approach assumes that there is basically an exchange or contractual relationship between taxpayers and the state. The state provides certain goods and services to the members of the society, and they contribute to the cost of these supplies in proportion to the benefits received. In this quid pro quo set up, there is no place for issues like equitable distribution of income and wealth. Instead, the benefits received are taken to represent the basis for distributing the tax burden in a specific manner. This approach overlooks the possible use of the tax policy for bringing about economic growth or economic stabilization in the country.

Call The Cost of Service Approach TICMA MAGNIN XAY

This approach is very similar to the benefits-received approach. It emphasizes the semi-commercial relationship between the state and the citizens to a greater extent. The implication is that the citizens are not entitled to any benefits from the state and if they do receive any, they must pay the cost thereof. In this approach, the state is being asked to give up basic protective and welfare functions. It is to scrupulously recover the cost of the services and therefore this theory, unlike the benefits-received one, specifically implies a balanced budget policy. In the process, the state is not to be concerned with the problems of income distribution. No effort is to be made to improve income distribution; and no notice is to be taken if the policy of levying taxes according to the cost-of-service principles deteriorates it further.

The Ability to Pay Approach

This approach considers tax liability in its true form i.e. compulsory payment to the state without quid pro quo. It does not assume any commercial or semi-commercial relationship between the state and the citizens. According to this theory, a citizen has to pay taxes just because he can and his relative share in the total tax burden is to be determined by his relative paying capacity. This approach has been supported by the socialist thinkers because of its conformity with the ideas and concepts of justice and equity. However, it has also received an equally strong support from non-socialist

thinkers and became a part of the theory of welfare economics. The basic principle of this approach is that the burden of taxation should be shared by the members of society on the principles of justice and equity and that these principles advocates that the tax burden is apportioned according to their relative ability to pay.

1.13

1.1 1.4

IMPACT, INCIDENCE, EFFECT AND BURDEN OF TAX

Taxes impose a burden on the taxpayer because he sacrifices something. This burden does not always lie on the shoulders of a person from whom it is collected. In many cases, the burden is shifted to some other person who ultimately pays the tax. In the study of taxation, it is necessary to know who bears the ultimate burden of tax. This classification of burdens led to the conceptions of impact, shifting and incidence of taxes. These three concepts are:

ne person because the in pact and or baftish drug s

risks while the

police to action

50/15/05 11 /1

(Do Hill)

s sund to have

bulliarum said it

10.2 0 , 2011 more of the object

in the hurden

Some of the second

to be a second

to negative to

Tax Impact: The impact of tax is the immediate money burden i.e., where tax falls on the person who pays the tax in the first instance (i.e., who has legal responsibility to pay), The impact of tax is on whom the tax is imposed. The person, who pays the tax to the government, bears its impact. For example, an income tax is levied on the net income/profit of a company who is legally bound to pay it to the government.

Tax Incidence: On the other hand, incidence of tax means the final money burden of enotion as a tax i.e., ultimate resting point of tax (i.e., who ultimately pay it whether it may or may not be levied on him). The incidence of tax is on the person who cannot shift it to anybody else: For example, the incidence of customs duty / value added tax is on the consumer as he will ultimately pay tax with the acquisition price.

in the War decraion in haiden. Effect of Tax: When a tax is imposed and collected, it involves certain responses from taxpayers and the economy. Such responses can be of great variety and can profoundly influence the working of the economy in terms of production, growth, savings, investment, choice of techniques of production, regional imbalances, inequalities of income and wealth, and so on. These responses and their results are collectively called the effects of that tax. These effects can be the result of the fact of tax imposition itself and they could also follow from the process of shifting its 91 J 1 m 2 11 incidence. Effects of a tax can be both beneficial and harmful. Harmful effects of a tax will be referred to as the burden of that tax.

Burden of Tax

Money burden/formal incidence is the reduction in the disposable income of the taxpayers. This can be of two types:

- Direct money burden is the tax paid by the taxpayers to the tax authorities.
- Indirect money burden is the additional money expenses incurred by the taxpayers for tax payment.
- Real Burden is the loss of welfare to the taxpayers and the community, in terms of increasing unemployment, reduced production, etc. This can be of two types:

- Direct real burden sacrifice of the welfare which the tax itself imposes upon the taxpayers, but not as net of the benefits, if any
- Indirect real burden indirect loss of welfare which results from interference with consumer choice, changes in factor supply and hence total output, and changes in employment through changes in aggregate demand.

YAT	30 . 37"	1 6	
	Distinction l	between Impact	and Incidence of Tax

- A distinction can be made between the impact and incidence of a tax as follows:
- ☐ Impact refers to the initial burden of a tax whereas incidence refers to the ultimate burden of tax.
- ☐ Impact of tax falls on the person who initially bears it and pays to the government while the incidence of tax falls on the person who ultimately bears it and who cannot pass it on to some other person.
- ☐ The incidence of tax cannot be shifted whereas the impact of tax can be shifted.

Generally, the impact and the incidence of a direct tax are on the same person because it is ultimately paid by a person on whom it is initially levied whereas the impact and incidence of an indirect tax are on different persons because it can be easily shifted to some other person who ultimately pays it.

Distinction between Incidence of Tax and Effect of Tax

10 10 10 10 10 10 A distinction can be made between the incidence and effect of a tax as follows:

- A tax reduces the income of the person on whom the incidence rests, while the tax effect is the pressure or influence of the incidence (such as forced reduction of consumption and investment for disposable income reduced by tax incidence).
 - ☐ Tax incidence is direct money burden and tax effect is the indirect money burden.
 - The effects of a tax can be the result of the fact of tax imposition itself (impact) and they could also follow from the process of shifting its incidence.

TAX SHIFTING

a practice was a

11 14 14 1 1925

on the net

896/1097JJ

CLO

1.4

1.1

SHI TO SHEET . O.

11: 17 3. 1 15

The process of transferring the direct money burden of a tax to another person is known as the shifting of tax i.e., if incidence differs from impact, tax is said to have been shifted. In the above example, the customs duty / value added tax paid by the manufacturer, may be added to its cost and the price of the product will be increased by the amount of tax and thereby shifts the burden to the consumer. This process of passing on the burden is called shifting of a tax. Shifting of tax incidence is done through the means of a price variation. Tax shifting may be -

Single point shifting vs. multi-point shifting: When a trader shifts his tax burden to the consumer, it is known as single point shifting as the consumer cannot shift his tax burden. On the other hand, when the tax burden is shifted to the consumer through different points, it is known as multi-point shifting. For example, the VAT on a commodity is multiple points shifting because it is levied and first paid 8249 G. MERCH by the importer but, later, the importer shifts the burden on to the wholesalers, who in turn shifts it on to retailers and retailers finally to consumer.

Forward vs. Backward Shifting: If a tax incidence is shifted through a sales transaction, it is called forward shifting. For example, an excise duty imposed on a producer may be shifted to a consumer, or a value added tax (VAT) imposed on a seller may be shifted to a buyer. In case of multi-stage forward shifting of tax incidence, a tax incidence shifted from a seller to an intermediate purchaser who will also shift it to another buyer and so on until the tax finally settles on the ultimate purchaser or consumer, it may be called that the tax is being shifted onward.

On the other hand, if a tax incidence is shifted through a purchase transaction, it is called backward shifting. If a VAT imposed on a consumer who can shift it to the producer, or a VAT imposed on a buyer and he can shift it to the seller, then it will be backward shifting. Backward shifting may be through tax capitalization when a tax affects the capital value of assets. If a tax changes the expected yield of an asset, then it will also change its market price, In other words, the tax has been capitalized. Say, a durable good is subject to a periodic tax (e.g., equivalent to previous annual license fee on TV) and an equivalent of the future tax payments is found in terms of the present value (PV) of the periodic tax none a control of discounted based on interest rate. If the purchase price of the durable item is another the reduced by a part or full amount of this PV by the purchaser, then it is called tax of the organization for the page of the spin spin of the content o

Theories of Tax Shifting

Concentration Theory: This theory was advocated by the physiocratic school of thought in France during the middle of the 18th century. This approach maintains to not not be absorbed by certain income the storage of the lasses (e.g., tax on wage or tax on land income only). Here, each tax tends to an analysis means concentrate on a particular class of people who happen to enjoy surplus from Incoment the 10 (1940) their products. This theory advocated that the government should concentrate on restriction and the serial single tax on economic rent earned by landlord. It also stood in favor of more than the diversified tax structure.

Diffusion Theory: The diffusion theory was developed by the French writer like out II would be a Canard and Mansfield. Diffusion theory is developed, contrary to the conto some diffused among the result of the contration theory. This theory asserted that all taxes are diffused among the members of a community. This theory holds that government may impose such taxes as are most easily assessed and collected and will cause the least obstruction to national wealth. The diffusion theory of taxation assumes of perfect competition and complete mobility of all economic agents. According to this theory, the individuals from whom the tax is collected will not ultimately bear the entire burden of taxation. The burden will be shifted on to other classes and finally it will be diffused all over the society, untraceable. Because of the constant interaction of sales/purchase transactions, eventually it becomes impossible to trace the final incidence of any tax and in reality, all taxes get "diffused" in the economic system.

יל עול ני ווני לחנ and a learness of

15

Bangladesh Income Tax - Theory and Practice

ш	Demand and Supply Theory: This theory starts with the basic fact that incidence
	of a tax can be shifted only inrough sale/purchase transactions and a
	only unough a variation in offices. According to this theory, a to
	only unough a shift in the demand and/or should cheve and district
	meracine will be determined by the helliand and charle ological.
	of the outer the buyer and the seller in the
	elasticities of supply and demand of the taxed item.

Additional Factors Influencing Tax Shifting

AS	e nave already discussed in the Demand and Complete	
fall	wing two factors are mainly behind any kind of skip.	
1011	wing two factors are mainly behind any kind of shifting in tax:	ne
	Pleasing in tax:	

☐ Elasticity of supply

☐ Elasticity of demand

Additional Factors Influencing Tax Shifting:

Type of tax: transaction tax easier to shift.

- Price being fixed & accepted as normal: difficult to shift through price variation.
- Tax rate: small tax chosen to be borne by the seller in a competitive situation. ☐ Tax on commodity having close and effective substitute: difficult to shift.
 - ☐ Geographical coverage: it is difficult to shift if not imposed in neighboring areas.

Deficit Financing as a Hidden Tax

Deficit financing by the government is that portion of its budgetary expenditure which is financed by some form of non-tax revenue receipts, that is, borrowings, creation of cash or drawing down of cash balances. Creation of cash or drawing down of cash balances adds to the flow of aggregate demand in the economy resulting in inflationary pressures and price rise. Real value (or purchasing power) of the financial assets with the private sector decreases. Consequently, as in the case of tax payments, some real resources shift from the non-government sector to the government ownership and this tantamount to a hidden tax. The phenomenon of 'hidden tax' emerges from inflationary price rise, and this widens income inequalities. While printing money has inflation as a hidden cost, borrowing leads to high taxes or interest in future to repay it. Therefore, lower deficits need lower taxes.

1.15 **CLASSIFICATION OF TAXES**

Taxes have been differently classified by different economists in course of time. The classifications have been made on different bases, which are presented in the following figure followed by discussion:

Classification Based on Number of Taxes

Single tax: Single tax is when the tax system of a country incorporates only one tax. In ancient times tax was levied on person as poll tax or head tax.

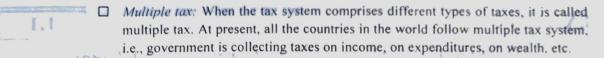
CLO

or marine of the

D.L.III . Tr. . .

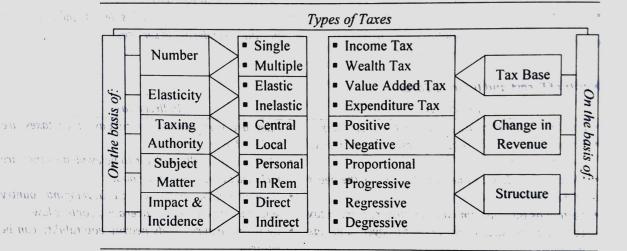
91 1 111 1

1.3



Classification Based on Impact and Incidence of Tax

- Direct tax: Direct taxes are those taxes which are paid entirely by those persons on whom they are imposed. The burden cannot be shifted to others in case of direct tax. Such as, income tax, land revenue tax etc.
- ☐ Indirect tax: Indirect taxes are those taxes which are imposed on sales or purchase of any goods or services other than personal services. Here the burden is ultimately shifted to others. Such as, VAT, customs duty etc.



reared to nonequenessee and here to be tracked as the expension of the control of the control of the expension of direct and indirect taxes is presented in exhibit 1.1.

Classification Based on Structure of Tax Rate

Proportional Tax: A proportional tax is one in which, irrespective of income size, the rate of taxation remains constant. Here the same percentage is charged on all taxpayers. For example, tax on Tk. 100,000 is 10% and Tk. 500,000 is also 10%. In the former case tax becomes Tk. 10,000 and in the later Tk. 50,000. Here in absolute form, tax has increased in proportion to rate of increase of income.

Merits:

- It is very easy and simple to calculate.
- It does not affect the existing pattern of distribution of income and wealth in the society as the tax rate is same for all.

Demerits:

- It is not based on the principle of equity. The burden of tax falls more heavily on the poorer section of the society.
- This system totally ignores the principle of taxable capacity.
- Does not reduce the inequalities of income/wealth in the society.

EXHIBIT

Critical Evaluation of Direct and Indirect Taxes

Differences between direct and Indirect taxes

	Direct Tax	Indirect Tax
Taxable Event	Taxable Income/Taxable Wealth of the assessees.	Purchase/Sale/Manufacture of goods and provision of services.
• Levy & Collection	Levied and collected from the assessee.	Levied & collected from the consumer but paid/deposited to the government by the Assessee/Dealer.
• Shifting of Burden	Directly borne by the assessee. Hence, cannot be shifted.	Tax burden is shifted to the subsequent /ultimate user.
Collected	After the income for a year is earned or valuation of assets is done on the valuation date.	At the time of sale of purchases

Merits of Direct and Indirect Taxes

Direct Tax

- Equitable since they are progressive in their rates.
- Economical as it requires low administrative collection cost
- Elastic since they can be adjusted as per the needs of the State.
- Certain as the rate, amount and time regarding tax collection is known to both taxpayer and tax authority.
- It is based on taxpayers' ability that ensures distributive justice.
- It creates civic consciousness among the taxpayers.
- No scope for any leakage as it is directly paid to the treasury.

Demerits of Direct and Indirect Taxes

Direct Tax

- Large scale tax evasion by the dishonest taxpayers using loopholes of the tax system
- Since the burden cannot be shifted, they are unpopular.
- Direct taxes are found to be arbitrary to determine the degree of progression in taxation,
- Since the taxpayers need to follow certain complex steps like filing returns, it is inconvenient.
- Collection is not satisfactory if the system is not strong enough.

Indirect Tax

- They are very convenient to pay since taxes are included in price.
- They are generally difficult to be evaded as they are included in the price of the goods.
- Highly revenue productive in a developing country since income level of the average people is low.
- By taxing luxury goods heavily equitability can be ensured.
- Can be used to control the consumption of luxury, liquor and harmful goods by imposing high taxes.

Chrysten in Bused of Ar

Indirect Tax

- They are inequitable since same rates are applied for both poor and rich.
- They are uneconomical since the collection of these taxes involves many stages and thus the cost of collection becomes greater.
- Indirect taxes give chance for cheating as the retailers may charge the customers more than the specific amount.
- It is a cause of inflation since it increases the cost of production

		Campter - I Introduction
nvesting it more	income incr higher the income of T	Tax: Under this system, the rate of taxation increases as the taxable reases. The principle of a progressive tax is "higher the income, rate". It is considered more equitable. For example, tax on total k. 100,000 is 10% but on Tk. 500,000 is 15%. Here tax will increase roportionately.
ville Majora III (180	Merits:	 Here, 'income' and 'ability to pay' are positively correlated. Moral as the richer section bears heavier burden of tax than the poorer section. It promotes equality in wealth and income distribution as 'more
radi (%)	and the second	income, more taxes' is the principle of this tax system.
	\$2	 The system is more flexible. During crisis. More taxes can be
Art of the state of		collected by adjusting the tax rates suitably.
	1	 It is economical in the sense that with minor changes in the rates.
Carporal de	of the Care	substantial changes can be brought about in tax collection without
121 1	man to the	incurring any extra cost.
Julian State	Demerits:	• Arbitrary fixation of rates may be done in an indiscriminate
	(1)	manner when government needs more funds at a time of crisis.
on, mount to some	i (U.)). nga um milit a rafti	 It adversely affects the propensity to save because the burden of tax falls more on those who can save because they have surplus. It dims the chances of more investments in productive sectors through reducing the savings.
the second of th		 Tax evasion may be increased as it injects a feeling of tax evasion
2. F. Halling Co. 10. Long States and States	amoan; sour	in the minds of those who are liable to pay tax at higher rates.
and a selection	on cold	 This system discourages the productive activities in the country
ssive tax	Mann	because the producer is not interested to earn more. They also
ZKI szlick	engi.G	find it difficult to get funds at cheaper rates because the rates of savings go down.
ad territo	segri The second	
	□ Regressive	Tax: A tax is regressive when its burden falls more heavily on the
		e rich since the tax rate decreases as the tax base (income) increases.
	•	the opposite of progressive tax. Sales tax is a regressive tax. If two
	•	spend the same amount on a given product, they will both pay the
		tax, regardless of whether one earns more than the other one. For
200		nple, tax on total income of Tk. 100,000 is 15% but on Tk. 500,000

Merits:

P . W . F . W

is 10%. Here tax will decrease more than proportionately.

- Regressive taxes encourage savings and investment as highincome earners pay less tax and have more discretionary funds to use for investment and savings.
- Regressive taxes increase net government revenue. As people have more after-tax income to use for savings and investment, these additional investments in turn generate more taxable

income and the cycle begins again - more investment, more wealth, and ultimately more tax revenues.

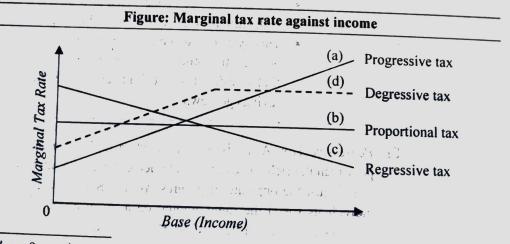
 Regressive tax systems encourage people to earn more income because the more you make, the more you get to keep. This incentive will produce more investment, savings, job growth, and national GDP.

Demerits:

- It does not follow the ability to pay principle.
- This system totally ignores the principle of taxable capacity.
- This tax increases inequalities of income/wealth in the society.
- Degressive tax: Taxes which are mildly progressive, hence not very steep so that high income does not make a due sacrifice, such taxes based on equity are called degressive. Here, a tax may be slowly progressive up to a certain limit, after that it may be charged at a flat rate. The merits and demerits of this tax system are similar to the progressive tax system. In Bangladesh, this system is followed where income tax rate of an individual for the assessment year 2024 2025 is:

On first Tk.		On ne	xt Tk.		On remaining
350,000	100,000	400,000	500,000	500,000	income
@ 0%	@ 5%	@ 10%	@ 15%	@ 20%	@ 25%

Marginal tax rate against income as the base under these four categories of taxes are graphically presented in the figure below.



Above figure depicts the proportion of income taken away in taxation under different tax rates. Tax line (a) represents a progressive tax rate, tax line (b) represents a proportional tax rate, tax line (c) shows a regressive tax rate and tax line (d) denotes a digressive tax rate.

The figure shows proportional tax rate has a constant slope, while the progressive tax rate has a rising positive slope. The steeper the slope of the tax line, the progressive the tax regime. The regressive tax rate line has a declining negative slope. The steeper the negative slope of the tax line, the more regressive the taxation. The digressive tax rate line has a rising slope initially, but it becomes constant after a point.



- (a) Define Progressive Tax
- (b) Identify three features of a good tax system.

Classification Based on Subject Matter of Taxation

- Personal tax (e.g., income tax) is levied based on personal tax paying capability.
- In Rem tax is levied on activities or objects like sales tax, wealth tax etc.

Classification Based on Elasticity of Tax

- ☐ Elastic tax: If the rate of changes in tax is more than the rate of changes in the tax base, the tax is known as elastic tax.
- ☐ Inelastic tax: If the rate of changes in tax is less than the rate of changes in the tax base, the tax is known as inelastic tax.

Classification Based on Tax Base

- Income tax is charged based on the income of a person or entity, e.g., income tax.
- Wealth tax is charged on the value of financial asset e.g., shares, securities etc. or non-financial asset e.g., building, premises, land, Such as, wealth tax, gift tax etc.
- □ Value Added Tax is charged on the value addition in a commodity or service.
- ☐ Expenditure tax is charged on the expenditure like purchase tax, sales tax etc.

Classification According to Change in Government Revenue

[Reference: Musgrave and Musgrave, 1989, pp 216 - 217]

- ☐ Positive tax: These are taxes which increase the revenue of the government. Such as, income tax, wealth tax, VAT etc.
- □ Negative tax: These are taxes which don't increase revenue of the government, rather decrease. These are basically transfer payments like pension, gratuity etc.

Classification According to Taxing Authority

- ☐ Central tax is levied by the central government. Such as, income tax, wealth tax.
- ☐ Local tax/Rate is levied by the local authorities, like City Corporation, Union Parishad, Municipality etc. This is also known as rates.

All twenty types of taxes explained above are contemporary to each other. Other than negative tax, all are positive taxes; other than single tax, all are examples of multiple tax. Direct tax is mainly progressive, personal, and elastic. In contrary, indirect tax is regressive, in rem, inelastic or sometimes proportional. The nature of the taxes plays a pivotal role in designing country's tax policy to ensure maximum social advantage.

1.16

EFFECTS OF TAXATION

In the words of Professor Dalton, "The best system of taxation from the economic point of view is that which has the best effects or the least bad economic effects." The

classical economists were of the view that the only objective of imposing taxes was to raise the revenue for the State, but with the change in circumstances and ideologies, the aim of taxation has also been changed. These days, apart from the object of raising the public revenue, taxes are levied to affect consumption, production, and distribution. Taxation these days is an important instrument of achieving socioeconomic objectives such as, regulation of consumption and production, controlling booms and depression, promoting economic growth, and reducing inequalities.

General Effects of Taxation on Production and Growth

Main effects of taxation on production and growth are: 1. Effect on Ability to work, 2. Effect on the Ability to Save, 3. Effect on Ability to Invest. Taxes reduce disposable income. As such, the buying capacity and consumption expenditure are curtailed. These cause the standard of living to deteriorate. Consequently, efficiency and ability to work is adversely affected. Again, there are some taxes which carry a beneficial impact on the ability to work. For instance, taxes on goods like liquor, cigarettes, opium, etc. which prohibit their consumption will lead to an improvement in general health and efficiency of those who are now addicted to them.

Ability to save is adversely affected by taxation as taxes fall on income and saving is the function of disposable income. As disposable income declines, savings tend to decline. A progressive taxation substantially reduces the ability to save of the rich class. Ability to save is also reduced by indirect or commodity taxation, because these taxes cause a rise in prices which induces a higher spending from a given income, thus, resulting in less saving. But, when government spends the tax income for the benefit of the poor, then their ability to save is enhanced. So, while evaluating the effects of a tax, the effects of public expenditure should also be taken into consideration to appraise the correct position in the economic system. It is equally true that when direct taxes are imposed, they absorb the excessive purchasing power of the commodity, cause a deflationary effect which in turn enhances the real income of the common people and their capacity to save. Ability to invest in the private sector evidently falls on account of the reduced saving ability caused by the tax imposition. Hence, all taxes have the immediate effect of reducing the amount of resources available for investment in the private sector. Generally, the reduction in private investment caused by taxation is more than offset by the public investment programs. A progressive system of taxation has favorable effect on income distribution, but it has disincentive effects on output. A high dose of income tax will reduce inequalities but produce some unfavorable effects on the ability to work, save, investment and output. Tax cuts can slow long-run economic growth by increasing budget deficits.

General Effects of Taxation on Supply of Resources

In an economy, the composition and pattern of production depend upon the allocation of resources. Taxes tend to re-allocate resources among different industries and regions. When high taxes are imposed on some industries, then resources from the high-taxed industries will shift to the low-taxed industries. Likewise, when a tax

):

rebate is offered, it will encourage allocation of resources in favor of developing infant industries. Similarly, there will be re-allocation of resources from high-taxed regions to the low-taxed regions. A high tax on goods of harmful consumption has a beneficial impact, as the resources from the production of these goods will be diverted to low-taxed essential goods. Taxes may, thus, change the pattern of production in an economy. Production of luxuries may be curbed and that of necessaries may improve. Taxes, such as tariffs, may also protect infant industries of a country from foreign competition. Some taxes, however, bring about diversion of resources, thus altering the output pattern of some industries in a socially desirable manner.

General Effects of Taxation on Economic Stabilization

Effects of Taxation are the changes in the economy resulting from the imposition of a tax system (or a variation in it). In addition to producing revenue, tax policy may be used to promote economic stability. Changes in tax liabilities not matched by changes in expenditures bolster cyclical fluctuations in prices, employment, and production. Built-in flexibility occurs because liabilities for some taxes, most notably income taxes, respond strongly to changes in economic conditions. A more-active approach calls for changes in the tax rates or other provisions to increase the anticyclical effects of tax receipts. An emphasis on economic growth implies the need to avoid high marginal tax rates and the tax-induced diversion of resources into relatively unproductive activities. Moreover, progressive taxation could improve the automatic stabilizer function of a country's fiscal system. Economists have devoted considerable effort to studying the effects of taxes. Specifically, they study how taxes affect people's behavior, including their choices in working, saving, & investing. A critical effect analysis of the dimension of direct and indirect taxes is presented in exhibit 1.2.

1.17

side to be well

ditte on the

MILL OF THE COUNTY

CARDO SE

ad!

CLO 1.4 1.5

TAX STRUCTURE IN BANGLADESH

The tax structure in the country consists of both direct (income tax, gift tax, land development tax, non-judicial stamp, registration, immovable property tax, etc.) and indirect (customs duty, excise duty, motor vehicle tax, narcotics and liquor duty, VAT, SD, foreign travel tax, TT, electricity duty, advertisement tax, etc.) taxes. Analysis of revenue collection activities in Bangladesh for the fiscal year 2023-24 reveals that tax revenue targeted for 89.75 percent of government revenue as per revised budget of which NBR taxes represent around 85.77% of total revenue.

As per the National Budget 2024-25, the tax revenue target for the fiscal year 2024-25 has been set by the government to Tk. 4,950.00 billion which was Tk. 4,290.00 billion in the fiscal year 2023-24 as per the revised budget. In National Budget 2024-25, it can be seen that in the fiscal year 2024-25 revenue collections from income tax have been estimated at around Tk. 1756.20 billion (35.48% of total tax), value added tax (VAT) at Tk. 1827.83 billion (36.93%), from import duty at Tk. 494.64 billion (9.99%), supplementary duty at Tk. 642.78 billion (12.99%) and others 4.61% of this aggregate target. The salient features of Bangladesh tax system are as follows:

Tax Effects of Direct and Indirect Taxes

Effects of Direct Tax Effect on Effects of Indirect Tax Usually, the imposition of an indirect tax increases Income Higher direct taxes reduce disposable the price of the concerned goods or services. Thus, income by curtailing the income directly. in the countries where unemployment the purchaser has to pay more, which reduces the allowances are provided, the situation net income. becomes worse when an unemployed gets employment but falls in the lower incomebracket, because then he will not receive the unemployment benefit and at the same time, he has to pay tax. This is called 'unemployment trap'. Savings Higher direct taxes reduce the ability of Usually, it is said that higher indirect tax and the tax-paying individuals or enterprises indirectly encourages savings, as it increases price to save or invest. But it depends on the Investment and thereby reduces demand. But grossly, higher extent of financing the enhanced tax from indirect taxation decreases savings savings or consumption. investments. Price Higher direct taxes have a deflationary Indirect taxation usually increases price level, and effect on price by decreasing the demand. it has an inflationary effect. But the extent of But labor organizations may create inflationary effect depends on the price elasticity pressure to increase the wage level to of demand and supply. If the price elasticity of meet the higher taxes, which may cause a supply is more than the price elasticity of demand, cost-push inflationary effect. then the price will rise and if the price elasticity of demand is higher, then the price will fall. Initiative Higher direct taxes have a negative effect Higher indirect tax has also a negative effect on on initiative, and the leisure is preferable the business community's initiative because it is to work. But due to higher direct tax some seen as an impediment to their trade and might do more works to maintain the commerce causing a price barrier. standard of living. Overall Other things remaining the same, because of higher taxation, aggregate demand of the **Economy** economy will fall, which may cause an inflationary effect on the price and output levels. Balance of payments may be improved by decreasing the dependency on foreign aid. But the employment situation may be worsened due to the fall in aggregate demand. Besides, taxation may affect regional disparity, inequality between income and wealth, etc. Multiple tax system: Country's tax system consists of various types of taxes, e.g.: Taxes on Income and Profit Π Income tax - Company Income tax - Other than Company

Taxes on Property & Capital Transfer

0

0

Gift Tax

Land Revenue

Estate Duty

Narcotics Duty

0

1.3		☐ Stamp Duty – non-judicial ☐ Registration
N. S. O. A.		 Taxes on Goods and Services
	eoit	Customs Duties Taxes on Vehicles
		Excise Duties Electricity Duty
		Uslue Added Tax (VAT) Other Taxes and Duties (e.g., travel tax)
* e c	4 10	Supplementary Duty (on luxury items and in addition to VAT)
175	Ľ	Inadequate and stagnant revenue yield relative to GDP: The tax revenue to GDP
F 1		ratio is very low compared to other developing countries. In 1973-74 fiscal year,
1.0	36	Tax GDP ratio was around 5% and after 50 years, the progress is not satisfactory
		as it has been reached to 8.50 in the FY 2023-24. We can see the status of the
		ratio of tax revenue to GDP of Bangladesh in exhibit 1.3 for the last six years.
¥ 7		High-ratio of indirect to direct tax revenue: Revenue analysis from the existing
		taxes shows that the indirect taxes pre-dominate the revenue yield of the country.
grand and an artist of the second	14.4	Nearly 66% of the tax revenue are from indirect taxes as shown in exhibit 1.3.
73		Dominance of Indirect Taxes: It has been seen that the dominance of indirect
1. 1.		taxes (especially VAT, import duty and supplementary duty) in tax revenue of
	* 55	Bangladesh is quite significant for last couple of years (see exhibit 1.3). The
Jack Car		contribution of income tax has also been gradually increasing in recent years.
\$ 16,60		1 Tax administration in Bangladesh: National Board of Revenue (NBR) is the
建文化 "		central authority for tax administration in Bangladesh and collects around 95
		percent of total tax revenue for the country. Various reform measures have been
12 12	* * * * * * * * * * * * * * * * * * * *	taken and some are still in consideration to make the tax system of the country
MILE.	1.22	more effective and efficient.
êt 🖖 📑		
K 1 1 18		taxation has been treated as one of the main obstacles in attaining economic
MIT FI		progress in Bangladesh since only a few taxpayers share the burden of taxes.
N i i		Despite NBR's untiring effort, the progress is not still satisfactory. People and
		corporate firms use various measures to evade tax using loopholes of the current
la who e in	OL:	tax system. In a country of 172 million people, out of 10.44 million TIN holders,
ick steeth we	F 1 1 1 0	only around 4.3 million (43,01,000) individual taxpayer has submitted income
475 1 1	H = V	tax return in Bangladesh during the assessment year 2023-24, which is just 2.5%
	.fi(1)	of the total population. In case of corporate tax, among 2,84,058 (upto June 2023)
	. tar	registered companies only 33,905 companies have submitted income tax return
		that is just 11.94% of the total corporate taxpayers.
AXES	MAT	Source: NBR (in lakh) FY18 FY19 FY20 FY21 FY22 FY23 FY24
lini .	31, 1,-	No. of eTIN issued 35.5 41.77 50.57 62.22 81.2 88.4 104.35
sl (*, **	Return Filing 18.03 19.18 21.14 24.3 24.3 35.29 43.01
		Return Filling 10.00 Fill 2111 210 210
t c i		Narrow Tax base: Our tax base is too narrow, and the tax law is full of

exemptions and allowances. Agricultural sector provides employment for around 40% of the population contributing only 3% of GDP and virtually pays little income tax. A World Bank study revealed that black/shadow economy in Bangladesh consists of around 25% of GDP, from which no tax is collected.

EXHIBIT

1.3

Tax Structure of Bangladesh: Some Statistics

(Source: Bangladesh Economic Review, 2024)

Tax Revenue as percentage of GDP

2019 - 20	2020 - 21	2021 - 22	2022 - 23*
10.98	9.96	9.79	9.75
9.87	8.95	8.71	8.74
1.10	1.01	1.08	1.01
	10.98 9.87	10.98 9.96 9.87 8.95	10.98 9.96 9.79 9.87 8.95 8.71

Composition of Revenue (in crore Tk.)

Total revenue	2016 - 17 2017 - 18 2018 - 19 2019 - 20 2020 - 21	2021 - 22
Tax Revenue	2,14,261 2,59,454 3,16,613 3,48,069 3,51,532	3,34,349
Non-tax Revenue	1,92,261 2,32,202 2,89,600 3,13,067 3,16,000	
% of Tax to Revenue	22,000 27,252 27,013 35,002 35,532	35,055
Direct Tax (DT)	89.73 89.50 91.47 89.94 89.89	89.52
% of DT to Total Tax	35,540, 37,540,	1,00,792
Indirect Tax (IT)	33.03% 30.61% 34.82%	
% of IT to total tax	1,90,301 1,98,464 2,05,974	1,98,502
Item Wise Collection	65.18%	
Teem wise conection	The state of the s	
VAT	2016 - 17 2017 - 18 2018 - 19 2019 - 20 2020 21	2004
****	35.72% 35.62% 35.10% 35.000	2021 - 22

The state of the s	and the transfer of the control of the first		
VAT 2016 - 17	2017 - 18 2018 - 19 2019 - 20	2020 - 21	2024 0-
	35.62% 36.19% 35.09%		
Import duty 11.22%	11 4004	10 /0	36.87%
II Income tax	22.4224	11.76%	11.00%
Supplementary duty 15 250/	14.070	30.36%	30.44%
Other taxes and duties 5.07%	20,000	15.28%	15.75%
Part 17 2	4.5% 4.50% 6.86%	6.14%	5 9406

The above discussion clearly portray that attaining an optimal tax structure is one of the most important issues for the government to increase the revenue generation for accelerating growth and to improve the quality of life of the citizens. A long-term sustainable solution to enhance transparency, growth, improve tax compliance and thus to increase tax to GDP ratio is a much desirable issue in Bangladesh.

1.18

be

ĆLO 1.5

RANKING OF BANGLADESH IN EASE OF PAYING TAXES

Paying Taxes 2020 is a unique study from PwC, World Bank and IFC. The study provides data on tax systems in 190 economies around the world, with an ability to monitor tax reform. It is unique because it generates a set of indicators (the total tax rate, the time to comply and the number of payments) that measure the world's tax systems from the point of view of a standardized business (using a case-study scenario). According to the study, the ranking of Bangladesh is 151 (see below) among 190 countries (5th among the SAARC countries.) So, Bangladesh has a long way to go.

	Overall Ranking	Number of Payments	Time to Comply (Hours)	Total Tax Rate (%)
Afghanistan	178	19	270	71.4
Bangladesh	151	33	435	33.4
Nepal	175	46	377	41.8
Pakistan	161	34	283	33.9
India	115	11	252	49.7
Maldives	119	17	391	30.2
Sri Lanka	142	36	129	55.2
Bhutan	. 15	18	52	35.3

1.19

1.1

1.1

INCOME TAX - CONCEPT AND DEFINITION

Income tax is a direct tax, which enjoys pride of place in the revenues of governments all over the world. In the fiscal scheme of our country, at present, income tax is levied along with other direct and indirect taxes like VAT, Excise duty, Gift tax etc. It is one of the most important sources of revenue for the government to ensure the equitable distribution of resources.

Definition of Income Tax

To generate revenue, government imposes tax on various areas. Of them, income tax is the tax which is levied on the taxable income of a person or entity as per the provisions of the Income Tax Act, 2023. It is calculated and computed with reference to the total income of an assessee for a particular period (normally, on an annual basis). According to Section 2(14) of the ITA 2023, income tax means any kind of tax or surcharge leviable and payable in accordance with the provisions of this act. In section 18 of the ITA 2023, it has also been stated that the *Income tax for any assessment year at any rate or rates shall be charged, levied, paid, and collected in respect of the total income of the income year or income years of every person.* Some definitions of income tax given in the verdicts of various cases are as follows:

[&]quot;Income tax is a tax on income and not on anything else. It is one tax not a collection of taxes essentially distinct." [Bengal Coal Co. Ltd. vs. Janardan Kishore Lal Singh (Cal) 1936 I.T.R. 392]

[&]quot;Income tax is a tax on income." [Peter Merchant Ltd. vs. Stedeford; 30T.C. 496,509(CA)]

[&]quot;Income tax is one tax and not a collection of taxes of different items of income and assessment to income tax is one whole and not a group of assessments of different items of income." [CIT vs. Numberumal Chatty & Sons (1933), I.T.R.32 at 37 (Mad)]

[&]quot;Income tax is an annual tax and the profits of each year should be subjected to income tax" [CIT vs. Sri Sukhdeodas Jalan (Pat) 1954, 26, I.T.R. 617]

1.4

Above definition revealed that income tax is a direct and single tax charged on the total income of a person for an income year and in the relevant assessment year.

1.20	CHARACTERISTICS OF INCOME TAX
CLO 1.4	From the above discussion, we can depict the following characteristics of income tax: ☐ It is a direct tax. ☐ Levy of this tax is regulated by the Income Tax Act, 2023 [Act No. XII of 2023]. ☐ It is charged on total income of an income year of a person in an assessment was
	Assembly through the Finance Act. Besides rules/orders/circulars are issued by the National Board of Revenue from time to time. It is one tax not a collection of taxes essentially distinct. Tax imposed on items other than income is.

Tax imposed on items other than income is not income tax.

1.21 **OBJECTIVES AND IMPORTANCE OF INCOME TAX** CLO

Taxation is one of the major sources of public revenue to meet a country's revenue and development expenditures with a view to accomplishing some economic and social objectives, such as redistribution of income, price stabilization and discouraging harmful consumption. Income tax is one of the most significant sources of public finance. Some major objectives and importance of income tax are as

- Revenue collection: Income tax is a major source of revenue for the government. In Bangladesh, as per the budget of the fiscal year 2024-25, income tax revenue target accounts for Tk. 1756.20 billion which is 35.48 percent of total tax revenue. Therefore, the first and foremost aim of income tax is to raise public revenue to meet the over increasing public expenditure.
- Re-distribution of income: An effective, efficient, and fair tax system can reduce inequalities in income and wealth. This is possible by taxing rich people heavily and to confer benefit to the poorer section through progressive income tax.
- Increase in savings: An effective and efficient tax system encourages people to save through providing tax credit facilities on investment allowance.
- ☐ Increase in capital investment: An effective and efficient tax system encourages local and foreign investors to invest in the country through providing various facilities like tax credit facilities on investment allowance, tax holiday scheme, depreciation allowance, tax incentives etc.
- ☐ Economic development: The income tax revenue can be used by the government to ensure the economic development. It can be used to build the infrastructure, to invest in social security programs, in various poverty elevation programs.

As income tax plays a significant role in the economic development of a country. For this reason, various reform strategies have been taken to modernize NBR.

CLO 1.5

1.6

INCOME TAX IN ECONOMIC GROWTH OF BANGLADESH

As it has been discussed before, taxation is one of the major sources of public revenue to meet a country's revenue and development expenditures with a view to accomplishing some fundamental economic and social objectives, such as redistribution of income, price stabilization and discouraging harmful consumption. The contribution of income tax is playing a pivotal role in the economic development of Bangladesh. The government of Bangladesh has taken various measures to modernize the tax system and imposed various provisions in the Income Tax Act,

2023. Some of the provisions are as following: Tax Holiday Scheme: According to Section 81-85 and Sixth Schedule (Part 4) of Vthe ITA, 2023, an industrial enterprise, established within prescribed time limit, in the prescribed area, for producing prescribed nature of goods, shall be exempted from tax for certain period i.e., five to ten years. This is known as Tax Holiday Scheme. The main objective of this scheme is to ensure economic development through industrialization attracting investment in some specific sectors e.g., tourism industries. Accelerated Depreciation Allowance: Depreciation allowance is allowed on the new machineries used in various industries at a specified rate (50% in first year, 30% in second, and 20% in the third year for the new industries). Tax incentives for Small & Cottage Industries: According to section 79 and Para editor is a maria 24 (Sixth Schedule, Part 1) tax incentives are allowed on the income and profit of 315 25 1 5 90 In 1 cottage industries and SMEs to encourage investment which can contribute to the Mil. Then economy significantly. the Parliagrant Tax incentives for encouraging savings: The government also encourages savings providing tax credit facilities on certain types of investment and expenditures. Such as, investment in stock market, savings certificate, DPS, insurance m electronic amine? premium, provident fund, government treasury bill etc. Tores at evenuins 1:05 John Com / Tax exemptions in certain expenditures: Expenditures to enhance social welfare like contribution to any fund established under Prime Minister's Education molley of the dust Assistance Trust Act, 2012; Government approved girls school or college, Government approved technical or vocational training institute, national level wall 1, 4,60, 70% research and development institute for agriculture, science, technology & עודה וחכפו כיניו ווע industry, etc. are exempted from tax. These also encourage people to spend in certain social development programs. Tax incentives for foreign investors: For attracting foreign investors, various concessions like tax holiday, tax exemptions for interest, royalty, technical at co prog assistance and fees, remittance to own country have been allowed as per the ITA. Allowance for scientific research: For developing new products, technologies in the industrial sectors certain allowance is allowed. Tax rebate is given on the cost of relevant scientific research. Tax incentives for remittance to Bangladesh: A significant number of

Bangladeshi people works abroad and to encourage them, remittances through

banking channel has been declared tax exempted.



- (a) Define Income Tax.
- (b) Identify three characteristics of Income Tax.
- (c) Identify three objectives of Income Tax.

So, it can be said that to ensure the economic development of the country certain provisions have been introduced in the ITO, 1984. These provisions encourage not only foreign investors but also the local entrepreneurs.

1.23 SCOPE OF BANGLADESH INCOME TAX LAW

CLO 1,4

1800 3107 4

1, 1, 15 1116

To determine income tax on the income of an assessee in Bangladesh, certain provisions, rules, and regulations have to be kept in mind. They are as follows:

- The Income Tax Act, 2023: The ITA, 2023 came into force on June 22, 2023. It has 25 Parts, 345 sections, numerous sub-sections and 8 schedules containing provisions for assessment, penalty, appeal etc. It also lays down the powers and duties of various income tax authorities.
- Withholding Tax Rules, 2023: Every Act normally gives power to an authority, responsible for implementation of the Act, to make rules for carrying out purposes of the Act. Section 343 of the ITA, 2023 has given power to the National Board of Revenue to make necessary rules. Some of the Rules are Withholding Tax Rules, 2023; Income Tax Return Preparer's Rules, 2023 etc.
- Finance Act: Finance Minister presents this as Finance Bill in the Parliament. Once the Finance Bill is approved by the Parliament and gets the assent of the President, it becomes the Finance Act. It gives effect to the various proposals in the annual budget covering the areas of direct and indirect taxes. It contains various applicable tax rates and other amendments of the ITA and Rules, 2023.
 - SRO (Statutory Regulatory Orders)/Circulars/Notifications from NBR: Section 342-343 of the ITA, 2023, indicates NBR can issue certain orders/circulars/notices as and when necessary. The provisions of these SROs/circulars are also to be considered at the time of computing income tax like the provisions of ITO and Rules.
 - Judicial Decisions: During assessment proceedings, there may sometimes arise between the NBR and the assessee over the interpretation of some of the provisions of the act and rules. The assessee can go to the court objecting the NBR's interpretation, and the judgments given by the courts act as guidance to the assessing officers and the assessee in similar circumstances in the future.

Income Tax Ordinance to Override Other Laws [Section 3]

According to section 3 of the ITA, 2023, notwithstanding anything contained in any other law for the time being in force, the provisions of the Income Tax Act, 2023 or any proceedings thereunder shall prevail over any other law in respect of tax on income and exemptions of tax thereof.

1.24

CLO

1.4

SCHEMES OF BANGLADESH INCOME TAX LAW

Every *person*, whose *total income* of the *income year* exceeds the *maximum amount* which is not chargeable to income tax, is an *assessee* and *chargeable* to income tax at the *rate* or *rates* prescribed in the *Finance Act* for the relevant *assessment year*. However, his total income shall be determined based on his *residential status in Bangladesh*. The determination of the tax liability of an assessee will be done based on the relevant provisions under the prevailing Income Tax Act 2023. For the assessment year 2023 - 2024, individuals whose income exceeds Tk. 3.50 lac [in case of women & elderly citizens above 65 years Tk. 4.00 lac, for third gender & disabled persons Tk. 4.75 lac, and for gazetted wounded freedom fighters Tk. 5.00 lac] must pay income tax. The special features of the Bangladesh income tax law may be enumerated below:

721 c	income earned by every person is chargeable to income tax if it exceeds the
Mr. Carlotte	maximum exemption limit.
	The term "person" includes an individual, a firm, an association of persons,
Carlotte State State Control	Hindu Undivided Family, trust, fund and company.
in a second of the	Income tax is charged on the total income of the income year but is taxable in the
policy of a contract	next following assessment year at the rates applicable to such assessment year
in the state of the	However, there are certain exceptions to this rule.
ara in an area 🗀	While assessing all these persons, their residential status is to be seen. Person
Business areas	who are residents in Bangladesh are required to pay tax on their incomes earned
r miliosita in ili.	though received anywhere of the world, whereas persons who are non-resident
	would hav tax only in respect of incomes earned and received in Bangladesh.
	Tayable income arises from many sources and grouped into several heads (i.e.
off in event wart in the	salaries, income from house property, agricultural income, income from business
Bull to white to the	capital gains, income from financial assets, and income from other sources). The
an modern a death ne	TTA has various provisions to assess income under all these heads.
🚈 🖟 केस ६ स 👜	While accessing income under different heads, some losses of one head can be
and the state of the t	set-off against positive incomes under the same heads, subject to some
same of a region	Unitations prescribed in the ordinance.
ing a series of the series of	The are many provisions in the ordinance which enable an aggrieved assessed
15 1 11 13 13 1 1 1 1 1 1 1 1 1 1 1 1 1	as in appeal to the higher authorities or courts for justice. It has also imposed
e e	finterest penalties and fines for the violation of any provisions under these act
	and rules. Wide powers have also been given to the taxing authority to deal with
e 1 1, 211,	Il a mag of cituations
The second of the second	Taxpayers can submit tax return under 'universal self-assessment' or 'normal
90 40	scheme. Tax rates and scope of taxable income differ based on residential status
11 Sut 1	of an assessee (resident or non-resident).

1.25

HISTORY OF INCOME TAX LAW IN BANGLADESH

Bangladesh inherited a system of taxation from its past British and Pakistani rulers.

The system, however, developed based on generally accepted canons and there had

been efforts towards rationalizing the tax administration for optimizing revenue collection, reducing tax evasion, and preventing revenue leakage through system loss, In the Indian Subcontinent, first Income Tax Act has been introduced in 1860 by the then English rulers following the Income Tax Act of England. After five years of its introduction, it has been repealed and withdrawn in 1867 due to the rapid changes in the political and socio-economic culture of the state. Then it has been again introduced by the government as the License Act, 1987 to finance the budget deficit. In 1868, the name of the Act has been changed as "The Certificate Act, 1868" featuring certain provisions like reduced tax rates, tax exemption up to a certain limit of total income, tax relief for agricultural income etc.

In 1869, "The Income Tax Act - II" has been passed after doing necessary changes in "The Certificate Act, 1868". Here tax has again been charged on agricultural income. This Act has been repealed and withdrawn again in 1873 but later further introduced in 1877 in the name of "The License Tax Act, 1877". It has been followed upto 1886. In 1886, British government has introduced "The Income Tax Act 1886; Act II of 1886". Again in 1918, incorporating various amendments of this Act, "The Income Tax Act 1918; Act VII of 1918" has been passed by the English government. In this Act, the total income has been divided into six (6) income heads, salaries, interest on securities, income from house property, income from business, Income from profession and income from other sources. In 1921, a committee named "All India Committee" has been formed to evaluate the need for necessary changes in this act. Based on the recommendations and guidelines suggested by this committee, "The Income Tax Act 1922; Act XI of 1922" has been introduced.

The introduction of this act is considered the most significant achievements in the income tax law in Indian Subcontinent since the current tax laws of Pakistan, India and Bangladesh has been introduced based on this Act. India and Pakistan both the country accepted "The Income Tax Act 1922; Act XI of 1922" as their income tax alone of the law after their independence from British rule in 1947. Then in India "The Income Tax Act - 1961" has been introduced incorporating necessary changes in the earlier Act of 1922. But Pakistan had been following the old "The Income Tax Act - 1922; Act XI of 1922" incorporating some amendments in the following years like Tax Holiday Scheme of 1959, Self-assessment system of 1965 etc.

After its independence in 1971, Bangladesh has also inherited the "The Income Tax Act - 1922" which has been followed in Pakistan and adopted it with necessary changes made from time to time. To modify necessary changes of the old act to cope with the demand of time, a "Taxation Enquiry Commission" has been formed in 1976. As per their guidelines and recommendations, "Income Tax Ordinance, 1984 (XXXVI of 1984) has been introduced repealing "The Income Tax Act - 1922". The H2 Income Tax Ordinance, 1984 came into force on 1st July 1984 as the Income Tax Manual I. It had 23 Chapters, 187 sections, numerous sub-sections and seven schedules containing provisions regarding assessment, penalty, appeal etc.

rillia.

day of

71 1 121, 6

rate of

It was a second

1 1, 5 -

- 111

Structure of Income Tax Act, 2023

Parts and Sections

	Preliminary	Section	1-3
Part 1	Tax Administration	Section -	4-12
Part 2	Taxes Appellate Tribunal	Section	13-17
Part 3	Charge of Income Tax	Section	18-28
Part 4		Section	29-75
Part 5	Computation of Income Tay Holiday	Section	76-85
Part 6	Exemption, Allowances, and Tax Holiday	Section	86-162
Part 7	Payment of Tax		163-164
Part 8	Minimum Tax		165-179
Part 9	Return and Statement		180-196
Part 10	Assessment and Audit	Section	
Part 11	Limitation of Time		198 - 211
Part 12	Collection of Information		
Part 13 977	BENERAL RIGHTS AND OBLIGHTON GXBTOTONSOSA	Section	212-213
Part 14	Collection of due tax, Refund & Adjustments	Section	214-229
Part 15	Tackling Tax Evasion	Section 2	
Part 16	International Treaty Management		244-251
Part 17	Agency, Representation and Related Matters	Section 2	
Part 18	Taxpayer Registration	Section 2	
Part 19	Penalty	Section 2	
Part 20	Revision, Appeal & Reference	Section 2	?85-308
Part 21 011 30	in Protection of Information, is storage as soon of bettime in a way.	Section 3	
Part 22	"Offences and Prosecution a vergue sandbulant of the event to even ver	Section 3	310-326
Part 23	Authorized Representative . The entropy and information	Section 3	327
Part 24	Electronic Tax Management	Section 3	328
Part 25	₩ O (47) - 1	Section 3	329-345
	WEST 7 (18 CAD 1) AND 1		
Schedules	ng gradient com samme and or a posspanial billion as so specify. D		
Juleunies	The same appearance of the search concentrating of the Part Provided Concentration of the Con		

	Pure 1 - Special Taxes for albeitour e of the	
LOSC IV	Part 2 Voluntary disclosure of incomes	Charles of Marketine The
Second Schedule	Part 1 - Annroved Superannuation Fund	or Pension Fund
11+1 - 12 La la	Part 2 - Recognized Gratuity Fund	as the second of the
D9200211 1	Part 2 - Recognized Gratuity Fund Part 3 - Recognized Provident Fund	
Third Schedule	Part 1 - Computation of Depreciation Al	lowance
	Part 2 - Computation of Amortization	
Fourth Schedule	- Computation of the Profits and	Gains of Insurance Business
Fifth Schedule	Part 1 - Computation of Profits and Gain	s from Exploration and production of petroleu
1 1 1 1 1 1 1 C.	and the determination of tax the	ereon.
5 . 95	Part 2 - Computation of Profits and Gain	s from Exploration and Extraction of Mineral
	deposits in Bangladesh (except o	oil and gas).

. Part 1 - Special Taxes for disclosure of unexplained investments

Sixth Schedule ... ; Part 1 - Exclusions from total Income - Non-assessable income.

: Part 2 - Deductions for total income

The Income Tax Rules: The IT Rules comprises several rules to supplement various sections and provisions of the ITA, 2023. NBR enjoys flexibility to amend any rules through notification in the official gazette.

> This Ordinance was supported by the "Income Tax Rules, 1984" known as the Income Tax Manual II and various SROs. As a step of ongoing tax reform measures, a new income tax law titled "The Income Tax Act, 2023" has been introduced on June 22, 2023 containing 25 Parts, 345 sections, numerous sub-sections and eight schedules. It is expected that, the new law will reduce the current loopholes of the tax law as well as increase the revenue of tax collection in Bangladesh.

1.8

GENERAL RIGHTS AND OBLIGATION OF A TAXPAYER

The Income Tax Act, 2023 and its accompanying rules have provided sufficient provisions for ensuring the general rights of a taxpayer. While ensuring the rights the taxpayers are also liable to comply with certain obligations as prescribed. The following two sections enumerate a brief idea regarding this:

General Rights of a Taxpayer

1 8 2 4 4		A Taxpaver is entitled to me.
est	۔	The part is chillied to receive professional
of a microspinion		A Taxpayer is entitled to receive professional service and assistance from the
7 St 84 3 10		
MAR WHENCE		concerned Taxes offices including supply of forms and brochures, guidelines for
2.5		A Taxpayer may either recover
Petron Pay 355		A Taxpayer may either represent himself for any of his tax matters or, engage an authorized representative as provided in the law.
	_	authorized representative as provided in the law.
		A Taxpayer is entitled to have access to his own tax records held by the office. The Tax Authorities are required to act importable.
		The Toy And the little to have access to his own tax records held by the office
	_	The Tax Authorities are required to act impartially and was the office.
		The Tax Authorities are required to act impartially and use their powers in a fair
		and professional manner. The taxpayer has a right to be heard before a penalty is imposed [sec. 280].
		The taxpayer has a right to be heard before a penalty is imposed.
1		The taxpayer is entitled to an instant refund soon it becomes due [sec. 280]. Collection cannot be enforced on a taxpayer so law.
1		Collection cannot be and
		of a carnot be enforced on a taxpayer so long as his appeal is
w		Collection cannot be enforced on a taxpayer so long as his appeal is not disposed of [sec. 214(6)]
(Taxpavers may avail !
ı		The terminal avail installment payment of arrears [sec. 214(4)]
<u>.</u>		
anticorne is not	-11	The taxpayer has the right to apply for alternative dispute resolution of a dispute which is pending before any income tax authority, tribunal or court. [sec 298]
_		Toyngura and setole any income tax authority, tribunal or court [sec 208]
	_	raxpayer enjoys a confidentiality privilege [protection of information of informa
THE PERSON	· .	Taxpayer enjoys a confidentiality privilege [protection of information] [sec. 309] A taxpayer applying for F-TIN through online (1)
_		The state of the s
	Į	A taxpayer is protected from unilateral authoritarion actions
		A taxpayer is protected from unilateral authoritarian action of the Revenue under

a specific law enacted for the purpose [sec. 184]

Income Tex-4(B)

***	-	retention or payment of tax on behalf of other taxpayers [sec. 338],
Agrico description		Taxpuyers have the right of appeal if they are aggrieved by any order of tax
		officers.
		officers.
	Ob	ligations of a Taxpayer
		A Taxpayer should file a correct Return by disclosing all his income, provide
		supporting documents and pay due tax within the time limit specified by law.
		A Taxpayer is required to pay advance tax on a quarterly basis if his lates
		assessed income exceeded Tk, 6 lakh (excluding agricultural income and capita
		gains).
1 1 1		An individual taxpayer is obliged to provide details of his assets and liabilities as
		well as particulars of his lifestyle in the return.
1		A Taxpayer is required to comply with statutory notices from the tax authority.
		A Taxpayer is required to furnish to the tax authority correct and accurate
Mr. 200		particulars of his income.
		A Taxpayer having commercial transaction is required to maintain accounts in
	2	the prescribed manner.
A SECTION	10 []	A Taxpayer is obliged to furnish certificate, statement, accounts, and information
	_	as required under several provisions, as the case may be.
		A Taxpayer having income from business or profession is obliged to display
1.21 St.		proof of return submission certificate at a conspicuous location of his business
		premises. In the account of the state of the
Marie and	1000	A Taxpayer owning a property is obliged not to transfer or otherwise deal with the said property following the receipt of notice of attachment issued by TRO.
61 de	4.91	
1984-215	11111111	$4 \exp(m - a_0 x) + C f(x) + b_0 c_0 c_0 c_0 x$
EY POIN	2TL	
		The second secon
til e z'		Taxes are compulsory payment to the government with no expectation of direct
16 - 60th 715	i Tir v	benefit.
		Taxation is a way to transfer resources from private sectors to government sectors
1.11 3 1 28	ا _275 ا	in order to accelerate economic and other development. The should be levied based on fundamental principles of taxation like Adam.
		Tax should be levied based on fundamental principles of taxation like Adam
lin . "	07.00	Smith's canon of taxation, e.g., canon of equality – based on ability to pay
		principal, canon of economy – cost of collection should not override total
		collection, canon of certainty – everything about tax should be definite, and
	_	canon of convenience—time and manner to pay tax should be convenient. Tax burden cannot be shifted in direct tax but can be shifted in indirect tax.
10 1 2		In Bangladesh degressive tax system is followed.
1 L		For economic development of a country, tax can be used as an important tool by
1[1, 1]	ш	means of optimum allocation of available resources, raising government revenue,
17		encouraging savings and investment, reduction of inequalities in income and
L. P.		wealth, accelerating economic growth, control mechanism etc.
		, , , , , , , , , , , , , , , , , , , ,

T

5. Indirect taxation is a cause of inflation

DISCUSSION QUESTIONS (DQ)

- DO1.1 Define taxes and identify characteristics of taxes based on your definition.
- DQ1.2 "Taxes are compulsory payment without expectation of direct return in benefit" explain.
- DQ1.3 "Taxation is a way to transfer resources from private to government sector for accelerate economic and other development" explain the statement considering purposes of taxation.

Accessed to be

- DO1.4 Classify taxes based on impact and incidence. State the merits and demerits of these classes.
- DO1.5 Explain the characteristics of a good tax system.
- DO1.6 Explain the role of tax in the economic development of Bangladesh.
- DQ1.7 "Tax structure in Bangladesh requires modification" do you agree? Explain.
- DQ1.8 Write short note on:

☐ Multiple tax	☐ Progressive tax
☐ Tax incidence	☐ Tax shifting
☐ Canon of economy	

- DQ1.9 Define Income Tax and identify some characteristics of taxes based on your definition.
- DQ1.10 State the scope of Bangladesh Income Tax Law.

ANSWERS

MULTIPLE CHOICE QUESTIONS										TRU	J E/F /	ALSE		
1	2	3	4	5	6	7	8	9	10	1	2	3	4	5
С	d	b	d	d	a	b	b	С	d	F	T	F	T	T

SELF - REVIEW 1.1

- (a) Tax is a contribution exacted by the state. It is a non-penal but compulsory and unrequited transfer of resources from the private to the public sector, levied based on predetermined criteria.
- (b) The four canons are:
 - ☐ Canon of equality
 - ☐ Canon of certainty
 - ☐ Canon of economy
 - ☐ Canon of convenience

SELF – REVIEW 1.2

- (a) Under progressive tax system the rate of taxation increases as the taxable income increases. The principle of a progressive tax is "higher the income, higher the rate". It is considered more equitable.
- (b) A good tax system should be:
 - levied based on fundamental principles of taxation like the principle of least sacrifice, cost, and benefit and above all ability to pay.
 - so imposed that they are equitable, convenient to pay, economical, certain, productive, and elastic i.e., they should follow the most important canons.
 - □ balanced containing both direct and indirect nature of taxes so that it can maximize government revenue.

(a) Inco diffe grou	me tax is a tax on incorrent items of income and profrassessments of differacteristics of Income Tax. Levy of Income tax is related to the total assessment year, sectives of Income Tax—Income tax is a major so. This is possible by taxin poorer section through placome tax system encofacilities on investment and possible sections.	ome. It is one tax and assessment to income arent items of income ax - gulated by Income atal income of an arent of revenue for an order of revenue for revenue for an order of revenue for revenue for an order of revenue for revenue fo	Tax Act, 2023. income year of the government avily and to cons	tion of taxes of whole and not a a person in an
			~	ANSWER
	× 43	\$ \$ 100 mm Single		
	•	v.		
			* *	
C Comment		. 146	17 M 87 Sec.	
			hat on ap	
			4. 17 (they	
		*	Committee of the contraction of	
		* 		
		to the second		
		A STATE OF THE STA	r . New .	
		ř ě		
1	er en Auxoria			
		1	in the second se	
	V C			
,				
	i.			

effective sections of

L.T

de la colonia

the same of

374 1 1 1 1

treating in

b site

The State

Basics of Income Tax

"Taxes are the lifeblood of government and no taxpayer should be permitted to escape the payment of his just share of the burden of contributing thereto."

- Arthur Vanderbilt

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

- identify the implications of income year & assessment year CLO 2.1
- explain the tax payment cycle CLO 2.2

Pacomorfona Business

Income from the sid Asats

- classify assessee under different criteria CLO 2.3
- evaluate the impacts of residential status on assessment CLO 2.4
- CLO 2.5 remember charge of income tax with applicable rates of smooth
 - apply special tax rates under certain cases
- **CLO 2.6**
- explain the provisions relevant for TIN percent at first affice CLO 2.7

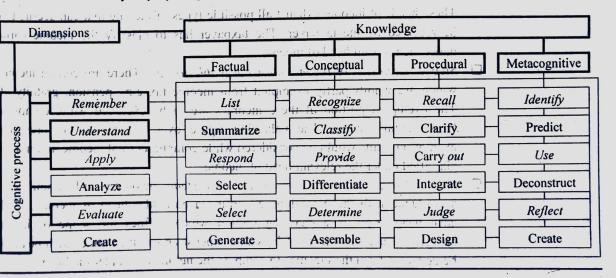
KEY TERMS

Income Year, Assessment Year, Assessee, Resident, Non-resident, Surcharge, Minimum Tax, Tax Rates, Undisclosed Income, TIN, Special Tax Rates

Bloom's Taxonomy in his party in the state of the state o

vargoal legislessing

This chapter covers (italic) the entire knowledge dimension and the four levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



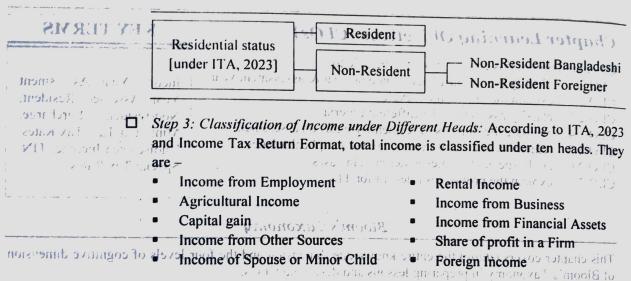
2.1

INCOME TAX PAYMENT CYCLE IN BANGLADESH

CLO 2.2 Income tax is levied on an assessee's total income. Such total income must be computed as per the provisions contained in the ITA 2023 and other relevant laws, Following section presents different steps involved in the tax payment procedure.

- Step 1: Determination of Income Year (period covered) and Assessment Year:

 The period covered in the relevant income year of an assessee must be determined first. The income earned during that period will be considered in computing total income. Assessment year will also be determined accordingly.
- Step 2: Determination of Residential Status: The residential status of a person has to be determined to ascertain which income is to be included in computing the total income. The residential status of a person determines the taxability of the income e.g., income earned outside Bangladesh will not be taxable in the hands of a non-resident but will be taxable in case of a resident. The residential statuses as per the ITA, 2023 are shown below:



These heads of income exhaust all possible types of income that can accrue to or be received by the taxpayer. The taxpayer has to classify the income earned under the relevant head of income.

- Step 4: Exclusion of Income not Chargeable to Tax: There are certain incomes which are wholly/partly exempted from income tax e.g., pension, gratuity etc. The exempted portion of these incomes are to be excluded while computing Gross Total Income. The balancing figure over and above the prescribed exemption limits would be considered while computing total income and must be classified under the relevant head of income.
- Step 5: Computation of Income under each Head: Income is to be computed in accordance with the provisions governing a particular head of income. Under each head, there is a charging section which defines the scope of income chargeable under that head. Admissible expenses prescribed under each head will be deducted from the incomes to compute the net income under the head.

JAILITA ...

						and the state of the second second
and the second being	Step 6: Clubi	sing of Incor	ne of Spouse,	Minor Chila	l etc.: In case l income. Th	of individuals, e tax system is
gold supplied for board	progressive i.	c., as the inc	ome increase	s, the applica	ble rate of ta	portion of their
a grinde in the second	income to the	ine nigner n ir spouse m	inor child etc	to minimize	their tax bur	den. To prevent ed in the ITA,
gha it it day	such tax avo	idance, club	bing provision	ons have bee	en incorporat	ied in the ITA, ise, minor child
d as	2023. under	which incom	ne arising to	certain perso	ns (like spou	se, minor child erted his income
M X S S S S S S S S S S S S S S S S S S	etc.) have to b	oe included i	n the income	of the person	who has dive	erted his income
1918	for the purpos	se of comput	ing tax liabilit	ly.		have different
690 "	and the same of th		- 1 6	I wanted An	assessee may	have different an assessee may
	sources of inc	come under t	the same head	of income.	or instance,	an assessee may isiness. The loss
gen in the second	have profit fr	om his textil	e business and	d loss from h	is printing of	siness. The loss
Although,						
W-117						
AS 15 (1)						
- 6 0 (100 miles)	from rent) an	d profits und	ler another he	ad (e.g., Inco	r losses which	ness). ITA 2023
Company of the state of the sta	allows inter-t	nead adjustm	ent in certain	cases. Further	profits can be	ch cannot be set-
g(a) - 1 - 2 - 1	off in the cur	rent year due	to inadequac	y of cligioic f	isions of the	Act.
scroomer to 11 has	for set-off in	the subseque	ent six years a	come: Final 1	figures of inc	ome under each
	Step 8: Comp	outation of C	<i>jross Totat III</i> Lawing deduc	tions allowa	nces, and oth	ner adjustments,
Winds of the state of	nead of inco	me, after al	raiving deduc	to the provi	sions for club	obing of income
Standard Company	and set offer	egaleu, allei	ard of losses	to arrive at th	ne gross total	income.
10 to	Stan Q. Dag	huctions from	m Gross Toto	al Income:	rnere may i	lave deddering
Although analy 35	prescribed fr	om Gross To	otal Income: S	uch as, it agi	iculture is in	e only source of
	income there	will be a de	duction of 1'k.	200,000 from	n the Gross i	otal income.
្នាស់ រាស់ រ. ា	Com do Da	riving at To	tal Income: 1	the income a	urrived at, ar	ter claiming the
cond on which a tax	habove deduct	ions from th	ne Gross Tota	Income is k	nown as the	Total Income. It
and 124 (d) almost for	ie alen called	the Taxable	Income	grand and the state of	t et	
The second of the second	Ston Il dan	lication of the	he Rates of In	come lax on	the Total Inc	come to compute
12 10 00 000 M	Grace Incom	e Tax Liabil	ity: The rates	of tax for the	e amerent ca	asses of assesses
ACCOUNTS OF AUTOMOTION OF ACC	are prescribe	d by the Fina	ance Act. For	individuals, l	AUF, and FIR	m, there is a slab
. Lawance	rate and bas	ic exemption	n limit. At	present, the	tottowing in	come tax rate is
Stude of a serie office	applicable in	the assessm	ent year 2024	−2025:		
sideging of phyable	a this company	4 14 191		1 1		
plicable as to book se	On first Tk.	The house two	On nex	ct Tk.	Tribus (f.)	On remaining
y ar arr	350,000	100,000	400,000	500,000	500,000	income
Rard	@ 0%	@ 5%	@ 10%	@ 15%	@ 20%	@ 25%
HW				Jan Carlo San		
,	The minimum	n non-assess	sable income	limit will be	Tk. 400,000	for women, and
		2 - 181 •	11 12			the limit is Tk

elderly citizens being more than 65 years of age. However, the limit is Tk. 475,000 for third gender & disable persons, and Tk. 500,000 for gazetted wounded freedom fighters. The minimum non-assessable limit of the parents or

241

ail 11

Triving.

Fig. 17 "

3 to 20

legal guardians of disable/handicapped child/dependent will be Tk. 50,000 more for each child/dependent, but in case of being both father and mother being taxpayer, only one will avail the benefit.

However, for individual taxpayer, the minimum tax would be Tk. 5,000 (Dhaka North & South and Chittagong city corporation area), Tk. 4,000 (other city corporation area), and Tk. 3,000 (areas other than city corporation). Individuals having gross annual receipts above Tk 3 crore will be subject to minimum tax of 0.25% of gross receipts. However, a higher rate (3%) is applicable if the individual is engaged in the manufacturing of Cigarette, Bidi, Chewing tobacco, Smokeless tobacco, or any other tobacco products.

For companies and other assessees, different tax rates are applicable (e.g., Banks, Insurance & Financial Institutions - 37.5% and 40%, Public Limited Co. - 20% or 22.5% or 25% as the case may be, Private Limited Co., Trust, Fund, Association of Persons, and other entities - 27.5% or 30% as the case may be, One man company - 22.5% or 25% as the case may be, Merchant banks - 37.5%, cooperative society - 15%, Non-resident foreigner - 30%, Mobile phone companies - publicly traded 40% & non-publicly traded 45%, Tobacco goods manufacturing companies 45% etc.). The income tax rates must be applied on the total income to arrive at the gross income tax liability.

enough to make the Medicine of Tax Credit/Rebate, on Tax Free Income and Investment amount to make the Allowance to compute Net Tax Liability: From the gross tax liability the assessee will get the amount of net tax enough to the liability after considering tax rebates. As per the provisions of the ITA 2023, tax to struck the provision of the ITA 2023, tax to struck the provision of the ITA 2023, tax to struck the provision of the ITA 2023, tax to struck the provision of the ITA 2023, tax the provisio

sait gaintiels after the solid Average rate on tax free income (e.g., share of profit in a firm/AOP).

It comes that I sait as said to the said to the

the second local state amount of investment allowance or contribution made by the assesses the second local representation of the Sixth Schedule, Part 3; or (c) Tk. 10,00,000. Some date of an affirm the scope of the Sixth Schedule, Part 3; or (c) Tk. 10,00,000. Some date of second representations of listed company's share, government securities, and examples like purchase of listed company's share, government securities, and examples like purchase of listed company's share, government securities, and examples like purchase of listed company's share, government securities, and examples like purchase of listed company's share, government securities, and examples like purchase of listed company's share, government securities, and examples like purchase of listed company's share, government securities, and examples like purchase of listed company's share, government securities, and examples like purchase of listed company's share, government securities, and examples like purchase of listed company's share, government securities, and examples like purchase of listed company's share, government securities, and examples like purchase of listed company's share of listed company

☐ Step 13: Surcharge: Surcharge is an additional charge payable over and above the income tax. This is usually levied as a percentage of net income tax payable amount. For the assessment year 2024 - 2025 surcharge is applicable as follows:

Net Wealth Amount	Rate
Up to Tk. 4 crore	Nil
More than Tk. 4 crore to Tk. 10 crore or, having multiple motor cars under one name or, having more than 8000 sq. ft house in city corporation area	10%
More than Tk. 10 crore to Tk. 20 crore	20%

ground not

one in the second of the secon

Lord by to December or birn at transact of sunt out in me

to the in theh

1 21 10 30 00 241

61 200 10 10

More than Tk, 20 crore to Tk, 50 crore	101 7 11	ri i i	 30%	
More than Tk. 50 crore	, r -	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	35%	

Additional 2.5% surcharge is applicable (i) on income from Cigarette, Biri, Jorda, Gul and other tobacco made products manufacturing business, (ii) on the income of educational institutions including school, college, and university that are failed to ensure the suitable system for the movement of disable persons according to the applicable laws in Bangladesh

Step 14: Computation of Net Tax Liability and Surcharge: Total amount payable BUTCH CHAIL for an assessee is the sum of net income tax liability and surcharge.

☐ Step 15: Adjustment of Advance tax, Tax deducted at source (TDS) and Refund: Although the tax liability of an assessee is determined only at the end of the year, tax is required to be paid in advance in certain installment based on estimated income. In certain cases, tax is required to be deducted at source from the income at the rates prescribed in the Act. Such deduction should be made either at the time of accrual or at the time of payment, as prescribed by the ITA, 2023. For example, in the case of salary income, the obligation of the employer to deduct tax at source arises only at the time of payment of salary to the employees. Such tax must be remitted to the respective Tax Circle and Zone through Treasury commended the Challan or Bank draft, Moreover, if the assessee has paid excess amount of tax in prior year than the desired tax liability, he can claim refund for the excess amount of the least which can be adjusted with the net tax liability of the next year at the option of the assessee. After adjusting advance tax, tax deducted at source and refund, the assessee will get the net tax liability to be paid along with income tax return.

Step 16: Obtaining the Tax Identification Number (TIN): An assessee must obtain a 12-digit E-TIN through online/from tax office if his total income exceeds the to the process of the session of the and the step and the respective cases) before submitting the Income Tax Return. Section 264 of the ITA, 2023 enumerated the requirement of 12-digit Taxpayer's Identification diving a day to be a Number (TIN) and proof of submission of return in certain cases.

16 18 10 18 1 Step 17: Submission of Income tax return and payment of tax: If any amount of income tax is due based on return of income, after adjusting advance tax, TDS and refund, the assessee must pay such amount of tax (called self-assessment tax) The return is submitted within due date (Tax Day f.e., Nov 30 of each year) to the tax office following relevant procedure. , where you proper will be at

INCOME YEAR AND ASSESSMENT YEAR Income Year

The general rule of taxability is that the tax is levied in each financial year commencing on 1st July (known as assessment year in the scheme of the ITA 2023) in respect of income earned in the "Income year". Section 2(15) of the ITA, 2023 indicates income year as the period for which the total income of an assessee (for

Bangladesh Income Tax - Theory and Practice

bank, insurance financial institution or any subsidiary thereof January to December, and for other assessee's July to June) is calculated. The income tax amount is paid in the next fiscal year of the income year and is known as assessment year. Thus, if the income year is 2023-24, assessment year will be 2024-25.

Determination of the Income Year
According to section 2(15) of the ITA, 2023; "income year", means financial year
inmediately preceding the assessment year and includes—
the period beginning with the date of setting up of a business and ending with the
thirtieth day of June following the date of setting up of such business and its
business setting up date is September 01, 2023, the income year will be 2023-24
the period beginning with the date on which a source of income newly comes
and challe with the 30" (lav b) thine tollowing the date on with
such new source comes into existence, e.g., if a new source of income comes into
existence (e.g., salary income) on January 01, 2024, the income year will be
2023-24 ending with 30th June 2024 (i.e., period covering 01.01.24 to 30.06.24);
to be the period beginning with the first day of July and ending with the date of
discontinuance of the business or dissolution of the unincorporated body or liquidation of the company, as the case may be, e.g., if a company goes for
liquidation of the company, as the case may be, e.g., if a company goes for liquidation effective from December 31, 2022, the income year will be 2022-23
injustic set of one (fi.e., period covering 01.07.22 to 31.12.22);
the period beginning with the first day of July and ending with the date of
and be perfect beginning with the first day of July and ending with the date of the unincorporated body, e.g., if a
and the difference participant of the unincorporated body dies or retires on 31st March 2023, the
find to find the will be 2022-23 (i.e., period covering 01.07.22 to 31.03.23);
the period immediately following the date of retirement, or death, of a participant
of the unincorporated body and ending with the date of retirement, or death, of
allottler participant or the thirtieth day of I Cu
retirement, or death, as the case may be;
in the case of hank insurance or financial institute.
from January 1 of the relevant year, i.e., January 01 to December 31 of a year.
economic value year, i.e., January 01 to December 31 of a year.
Provided that the DCT may allow a different financial year for a company which is a subsidiary, including a subsidiary thereof
7 " " " " " " " " " " " " " " " " " " "
The state of the s
requires a different financial year to consolidate its accounts with the parent company
Important of the Mark of the State of the St
Importance of Income Year
Computation of Total Income: An assessed has to
Investment Allowance: An assessee will be eligible to avail tax credit on the amount invested in the income year for which the arrival tax credit on the
amount invested in the income year for which total income has been computed.
moonie has been computed.

Residential status: Residential status of an assessee is determined based on his stay in the income year in Bangladesh, not in the assessment year. determined based on the period covering in the income year. Assessment V.
determined based on the period covering in the income year
Assassas
- sessinent your
The term "Assessment Year" means the period of twelve months commencing on the first day of July every year or any other period as considered under the provisions of and ends on 30 th June every year. This period is also known as the financial year. Precedingly, it is the current financial year in which income of the immediately from 01.07.23 to 30.06.24, assessment year is 2024 – 2025. Similarly, if the income year is from 01.07.24 to 30.06.25, the assessment year is 2025 – 2026.
Exceptions to the Rule of Assessment V
cases, to protect the interests of revenue, the income is taxed in the year of earning itself. Thus, in those cases the assessment year and the income year are the same. The exceptions to the normal rule of assessment year are discussed as under: Income of discontinued business [Section 191(3)]: Where any business or profession is discontinued in any assessment year, the income of the period from the expiry of the last income year up to the date of such discontinuance will be charged to tax in that assessment year. Persons leaving Bangladesh [Section 193(2)(b)]: When it appears to the
Assessing Officer that an individual may leave Bangladesh and has no intention to return, the total income of such individual for the period from the expiry of the income year in relation to the current assessment year up to the probable date of his departure from Bangladesh is chargeable to tax in current assessment year. Income of non-resident shipping companies [Section 259(2)]: Section 259(2) of the ITA 2023, provides for the taxation of income of non-resident shipping companies in the year in which they earn their income in Bangladesh, provided that such companies do not have any representative here.

Importance of Assessment Year

makat naba ... Taribaga arim

ALLTELION

robno martal

Computation of Tax Liability: The tax liability on the total income earned in an income year is computed based on the tax rates applicable in the assessment year.

Tax exemption and tax rebate/credit facilities: Tax exemption and tax rebate are to be considered based on the provisions applicable for an assessment year.

Own robot best seed of Summary of Income and Assessment Year

From the above discussions, we can sum up with following summaries regarding the identification of income year and assessment year for an assessee:



How do you determine income year for a business newly set up in a financial year?

the control of the co	For bank, insurance or financial institutions income year will be the period covering twelve months commencing from the first day of January of the relevant year, i.e., English calendar year (January 01 to December 31) of a year. For other assessee's income year will be the period covering July to June. Here the income year may consist of less than twelve months under certain circumstances but will not exceed twelve months. Generally, income year is the financial year immediately preceding the assessment year; and assessment year is the subsequent year of the income year except some exceptions.
Sat at carning	ASSESSEE AND PERSON
:LO e orresta	Assessee The Additional Control of the Assessee
E. business or the period from appears to the the capital from the capital of the capital of the capital aute of the capital aute of the capital aute of the capital aute of saluar authors sidual author	For the purpose of income tax, an entity's income shall be assessed. Thus, an assessee is a person who is liable to pay any sum under the Income Tax Act, 2023 or in respect of whom the proceedings have been initiated under this Act. According to section 2(22) of the ITA, 2023, the term "Assessee" includes: Every person who is liable to pay any sum under ITA, 2023; every person in respect of whom any proceeding under this Act has been taken for the assessment of his income or the income of any other person in respect of which he is assessable; every person by whom a minimum tax is payable under this Act; every person who is required to file a return, documents or statement under ITA, 2023; every person who desires to be assessed and submits return under this Act; and every person who is deemed to be an assessee, or an assessee in default, under any provision of this Act;
	Person Non-Youthern Company Comb
rade mach jear	The term "person" includes an individual, a firm, an association of persons, a Hindu undivided family, a trust, a fund, and a company. [Section 2(69)]
1025 € of (Classification of Assessee
្រ សម្រាស់	According to the provisions of the ITA, 2023, an assessee can be classified under two dimensions: On the basis of person [Section 2(69)], and On the basis of residential status [Section 2(4) & 2(45)]

Income and Assessment Year: Illustrative Examples

Determine the income and assessment year for the following independent situations:

- (a) A Ltd. started their business on August 01, 2023.
- (b) ABC Firm joined as a consultant of a government project on January 01, 2024, for a five-year contract.
- (c) B Ltd closed all their business operations permanently on March 31, 2024.
- (d) ABC Traders is a Partnership firm and has been continuing its operation since 2018. One of the partners, A died on April 30, 2024.
- (e) XYZ Traders is a Partnership firm and has been continuing its operation since 2018. One of the partners, Z retired on August 31, 2023, and XY decided to continue the operation in the name of XY Traders from September 01, 2023. But unfortunately, one partner died on May 15, 2024.
- (f) Prime Bank Limited prepared its annual report covering the period 1.1.2023 to 31.12. 2024.
- (g) Mr. Jalil, a regular taxpayer, submitted his income tax return in the "Income Tax Fair, 2024".
- (h) Mr. Rabbi, a regular taxpayer, is going to leave Bangladesh permanently on April 30, 2024.
- (i) M. V. Atlantis, a ship of Panama based company (i.e., non-resident shipping company), carried imported goods to Bangladesh and received BDT 20,00,000 against this service on April 30, 2024, before leaving Chattogram Port.

The analysis of the above cases is presented below:

Assessee	Period covered in the income year	Income year	Assessment year
A Ltd.	Start August 01, 2023 End June 30, 2024	2023-2024	2024-2025
ABC (Firm)	Start January 01, 2024 End June 30, 2024	2023-2024	2024-2025
B Ltd.	Start July 01, 2022 End March 31, 2023	2023-2024	2023-2024*
ABC Traders (Firm)	Start July 01, 2023 End April 30, 2024	2023-2024	2024-2025
XYZ Traders (Firm)	Start July 01, 2023 End August 31, 2023	2023-2024	2024-2025
XY Traders (Firm)	Start September 01, 2023 End May 15, 2024	2023-2024	2024-2025
Prime Bank Ltd.	Start January 01, 2023 End December 31, 2023	2023-2024	2024-2025
Mr. Jalil	Start July 01, 2023 End June 30, 2024	2023-2024	2024-2025
Mr. Rabbi	Start July 01, 2023 End April 30, 2024	2023-2024	2023-2024*
M. V. Atlantis	Start July 01, 2023 End April 30, 2024	2023-2024	2023-2024*

^{*}Based on the exceptions to the general rule of assessment year.



15 8 97.

21345 16

Determine the income year and the assessment year for the following independent

- (a) Nitol Motors started their business on 01.08.2023.
- (b) Trust Insurance Limited started its operation on March 01, 2023.
- (c) Vertex Ltd. closed all their business operations on May 31, 2024, permanently,

Assessee - on the Basis of Person [Section 2(69)]

According to the provisions of the ITA, 2023, assessee is a person who is liable to pay any sum under the Income Tax Act, 2023 or in respect of whom the proceedings have been initiated under this Act. According to section 2(69), assessee can be classified into seven categories:

- ☐ Individual: An individual is a person including male, female, major, minor, or even a lunatic. It refers to human being. However, the income of a minor or a lunatic can only be assessed in the hands of the legal guardian or manager acting as a deemed assessee [Shridhar Udai Nairain v. CIT, (1962) 45 ITR 577(All.)].
- Firm: "Firm" has the same meaning as assigned to it in the Section IX of the Partnership Act, 1932. [Section 2(58)]
- ☐ Association of Persons (AOP): An association of persons is the one in which two or more persons join for a common purpose or common action with a view to produce income, profits, or gains. It need not be based on a contract. Therefore, if 102 (21 10 218) two or more persons join hands to carry on a business but do not constitute a partnership, they may be assessed as an AOP.
 - ☐ Hindu Undivided Family (HUF): The expression "Hindu Undivided Family" is not defined by the Income Tax Act, 2023 and is therefore understood in context of the definition of a Joint Hindu Family under the Hindu Law. A HUF is a coparcenary or tenancy in common consisting of all male persons descended from a common ancestor of stated degree of lineal proximity. It also includes, for certain limited purposes, wives, and unmarried daughters of all such male members. They are joint in Mess, Worship and Residence; the family, as a whole is a unit of assessment.
 - Trust: "Trust" means the Trust constituted by the Deed of Trust in accordance with the provisions of the Trust Act 1882 (Act II of 1882). A "trust" is an obligation annexed to the ownership of property and arising out of a confidence reposed in and accepted by the owner, or declared and accepted by him, for the benefit of another, or of another and the owner.
 - ☐ Fund: "Fund" means any fund established or constituted in Bangladesh in accordance to any relevant law or rule or as declared by the SEC as alternative investment fund from time to time.
 - Company: U/s 2(31) of the ITA 2023, "Company" means a company as defined in the Companies Act, 1994 and includes:
 - (a) Any liaison/representative office or branch office of a foreign organization;
 - (b) Any permanent organization of foreign entity or foreign personnel;

- (c) Any association or body incorporated by or under any law of Bangladesh or outside Bangladesh;
- (d) Any banking, insurance or financial institution;
- (e) Any industry and commerce association, foundation, society, cooperative society, and any educational institution;
- (f) Any organization registered with NGO Affairs Bureau or Microcredit Regulatory Authority;
- (g) Any association, whatever its nature, formed by firms, association of persons, joint venture or persons, where any of the parties is registered under the Companies Act, 1994 or foreign entity;
- (h) Gazetted Government Authority, Local Authority, Autonomous Body;
- (i) Entities that are lawful or legally standing unit formed as separate entities under the eyes of law;
- (j) Any entity except an individual, a firm, an association of persons, a Hindu undivided family, a trust, and a fund;
- (k) Any foreign association or organization, not registered under any law, specified as company under any general or special order by the Board.

Example: Lets identify the status of the following entity as assessee: (i) Dhaka University, (ii) Shohag Paribahan Pvt. Ltd., (iii) Prime Bank Limited, (iv) X and Y who are legal heirs of Z (Z died in 2021 and X and Y carry on his business without entering into partnership), (v) Unique Enterprises, a firm consisting of A, B and C, (vi) A Hindu joint family consisting of P, Mrs. P and their son S, (vii) Dhaka North City Corporation, (viii) Comilla Cantonment Board, (ix) ICB Mutual Fund. (x) Anjuman Mufidul Islam, (xi) Mr. Mohammad Faisal Imtiaz

Here, Dhaka University i.e., (i) is an Artificial Judicial Person, likewise, (ii) is a Company, (iii) is a Company, (iv) is an Association of Persons, (v) is a Firm, (vi) is a Hindu Undivided Family, (vii) is a Company, (viii) is a Company, (ix) is a Fund, (x) Trust, (xi) Individual

2.2 EXHIBIT **Classification of Assessee** Residential status Assessee: on the basis of -Person Resident Individual Company Non-resident Firm Trust Association of persons **Fund** Hindu undivided family Non-resident Non-resident

Assessee – on the Basis of Residential Status [Section 2(4) & 2(45)]

According to the residential status, an assessee can be classified into two categories:

Bangladeshi

Foreigner

□ Resident: An assessee will be a resident in any income year if he fulfills any of the conditions stated in Section 2(45) of the ITA, 2023. Such as, an individual who stays in Bangladesh for a period of 183 days or more in the income year, ACI Limited whose control and management is situated wholly in Bangladesh in the income year.

116

□ Non-resident: An assessee will be a non-resident as per Section 2(4) in any income year if he does not fulfill any of the conditions stated in Section 2(45) of the ITA, 2023. As per the citizenship, a non-resident individual can also be divided into following two categories: (a) Non-resident Bangladeshi; and (b) Non-resident Foreigner.

2.4 DETERMINING RESIDENTIAL STATUS

Points to Remember in Determining the Residential Status

Residential status refers either to the period of stay of an assessee in Bangladesh or degree of control or management of the affairs of an assessee during the income year. This has a significant bearing on the tax liability as incidence of income tax varies according to the residential status of an assessee. For example, a non-resident will not be taxed on income earned outside Bangladesh while a resident is taxed on global income. In Bangladesh, according to the provisions stated in Section 2(45) or 2(4) of the ITA, 2023, it is determined whether an assessee is resident or non-resident. Such residential status is determined only by the specific provisions of this Act but not by any provision of other laws of the country. One must keep in mind the following pointers while determining the residential status of an assessee:

- Residential status is determined for each category of persons separately e.g., there are separate set of rules for determining the residential status of an individual and separate rules for firms, companies etc.
- Residential status is determined separately for each income year: Residential status may differ from year to year as it is determined separately for each income year subject to the fulfillment of specific conditions in that year. In a year, the assessee may be resident while in another year he may be non-resident.
- Residential status is always determined for the income year: Residential status in the assessment year is immaterial for tax purposes because we have to determine the total income of the income year only. [Wallence Bros. & Co. Ltd. vs CIT (1948)]
- A person may be a resident of more than one country for any income year. If Y is a resident in Bangladesh for income year 2023-24, it does not mean that he cannot be a resident of any other country for that income year.
- Determination of residential status has nothing to do with either the citizenship of the assessee: domicile of a person. These are decided according to the provisions of the constitution whereas the residential status is subject matter of the Income Tax per the ITA, 2023.

2.4

Burden of proving the residential status lies with the assessee. The burden of proof to be a resident usually lies with the assessee and he must place all relevant facts, evidence and material before the income tax authorities to substantiate his claim. [V. Vr. N. M. Subbayya Chettiar vs. CIT (1951) 019 ITR 0168 (SC)]

Rules for Determining Residential Status of an Assessee

For determining the residential status of an assessee, sections 2(45) and 2(4) of the ITA, 2023 are important. If an assessee is not classified as 'resident' as per section 2(45), then within the meaning of section 2(4) he is classified as non-resident. Based on residential status, assessee is classified into two categories, Resident and Non-resident. The residential status of an individual depends mainly on the duration of his stay in Bangladesh in the income year. In case of a firm or company, it depends on the location of its management or control during the relevant income year. As per the ITA 2023, the following rules determine the residential status of an assessee:

- Residential Status of an Individual: An individual will be a resident in any income year if he fulfills any of the following two conditions [section 2(45)(a)]:
 - if he stays in Bangladesh for a period of, or for periods amounting in all to, 183 days or more in that year; or
 - for a period of, or periods amounting in all to, 90 days or more in that year having previously been in Bangladesh for a period of, or periods amounting in all to, 365 days or more during four years preceding that year;

If none of the above two conditions are satisfied, such individual is non-resident in Bangladesh during that income year as per section 2(4). Following points should be kept in mind while determining the residential status of an individual assessee.

- Relevant income year is the year for which the residential status is being determined.
- In computing the period of stay in Bangladesh, it is not necessary that the stay should be for a continuous period. What is to be seen is the total number of days stay in Bangladesh during the relevant income year. Moreover, visit to Bangladesh during the four preceding years might also be regular or irregular in the similar manner.
- It is also not necessary that the stay should be only at one place. e.g., he may stay at Dhaka for 90 days and then go out of Bangladesh. On return in the same income year, he may stay at Rajshahi for 120 days during the income year. His total stay in Bangladesh will be 210 days for the income year.
- Generally, in computing the period of 183 days, the day he enters and the day he leaves Bangladesh should both be treated as stay in Bangladesh. However, in borderline cases where stay in Bangladesh is near about 183 days his stay in Bangladesh has to be calculated on hourly basis and a total of 24 hours will be taken as one day. For example, if a person is in Bangladesh for 82 days and 6 hours and then again, he comes to Bangladesh for 20 days and 20 hours, his stay in Bangladesh will be taken as 103 days.

Bangladesh Income Tax - Theory and Practice

- In a question where hour of entry and departure is not given, we should take both day of entry and day of exit as stay in Bangladesh [Ref. AAR (1997) 223]

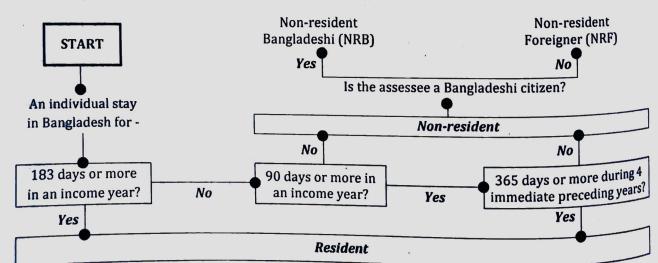
 ITR 462, the Authority for Advance Ruling].
- Place and purpose of stay in Bangladesh is immaterial. Presence in territorial waters of Bangladesh would also be regarded as presence in Bangladesh.
- Official tours abroad in connection with employment in Bangladesh shall not be regarded as employment outside Bangladesh.
- A person may be resident of more than one country for any income year.
- Citizenship of a country and residential status of that country are two separate concepts. A person may be a Bangladeshi national/citizen but may not be a resident in Bangladesh and vice versa.
- Residential Status of HUF, Firm, Association of Persons, a Bangladeshi Company or any other Company, a Trust, a Fund or an Entity: A Hindu undivided family, firm or association of persons, a Bangladeshi company or any other company, a trust, a fund or an entity, will be a resident if the control and management of those affairs is situated wholly in Bangladesh in that year [Section 2(45)(b, c, d)]. However, if the control and management are situated wholly or partly outside Bangladesh, they will be treated as non-resident.

Note: The term "control and management" refers to "head and brain" which directs the affairs of policy, finance, disposal of profits and vital things concerning the management of the entity. While in the case of a firm, control and management is vested in partners, in case of an AOP it is vested in principal officer and in case of a company it is situated at the place where meetings of its board of directors are held.

EXHIBIT

2.3

Residential status determination flowchart for individuals



Résidential Status Determination: Summery of Rules Rules to be a Non-resident Rules to be a Resident If none of these two conditions Individual: Assessee is in Bangladesh in are fulfilled the income year for a period of -(a) 183 days or more; or (b) 90 days or more and 365 days or more during 4 immediately preceding years. If the control and management is • HUF, Firm, AOP, Company, Trust, Fund, situated wholly or partly outside Entity: If the control and management is Bangladesh in the income year wholly in Bangladesh in the income year Effects of Residential Status in Assessing Total Income Determination of residential status of an assessee has a significant bearing on the tax liability as incidence of income tax varies according to the residential status of an assessee as per Section 26 of the ITA, 2023. Therefore, the scope of total income varies according to the residential status of an assessee. These provisions may be summarized as under: To be taxed or not Resident Non-resident Bangladeshi income: Income received or deemed to Taxable Taxable be received in Bangladesh Bangladeshi income: Income accrued or arose or Taxable Taxable deemed to accrue or arise in Bangladesh Foreign income: Income accrued or arose outside Non-taxable Taxable Bangladesh An analysis of the above provisions would highlight the following: ☐ Any income which is either received in Bangladesh or deemed to be received in Bangladesh is taxable in Bangladesh, irrespective of the residential status. ☐ Any income which is either earned in Bangladesh or is deemed to be earned in Bangladesh is taxable in Bangladesh, irrespective of the residential status.

☐ For a resident in Bangladesh all global income (local + foreign), wherever

For a non-resident, an income is taxable only if it is either earned in Bangladesh

earned/received is taxable in Bangladesh.

or it is received in Bangladesh.

Effect of Residential Status in Determining Tax Liabilities

Determination of residential status of an assessee has a significant bearing on the tax liability as incidence of income tax varies according to the residential status of an assessee. In this regard we can consider the following issues:

- To determine the amount of total income: Determination of total income is different for residents and non-residents. A resident considers global income as his total income, but a non-resident does not consider income from other countries in his total income.
- ☐ To determine minimum limit of taxable income: A resident and non-resident Bangladeshi has to pay tax if his taxable income exceeds the minimum nonassessable limit i.e., Tk. 350,000 as per the ITA, 2023 (in case of women and elderly citizens being more than 65 years old Tk. 400,000, for third gender and disable persons Tk. 475,000 and for Gazetted wounded freedom fighters Tk. 500,000). But for a non-resident foreigner such minimum limit is not applicable.
- ☐ Income tax rate: For a resident and non-resident Bangladeshi, tax is calculated using the regular rates applicable for various levels of income. Such as, for first Tk. 350,000 @ 0%, for next Tk. 100,000 @ 5%. But a non-resident foreigner has to pay at maximum rate [@ 30%].
- ☐ Income tax rebate: A resident and non-resident Bangladeshi assessee get income tax rebate on investment allowance and on tax exempted income from gross tax liability. But, for a non-resident foreigner no tax rebate is applicable.

Thus, determination of residential status of an assessee has a significant bearing on the tax liability as total income, taxable income and tax rate are found to vary according to the residential status of an assessee.

Incidence of Tax on Non - Resident

- ☐ A person who is a non-resident is liable to tax on the incomes, profits and gains which are received or deemed to have been received or are deemed to accrue or arise to him in Bangladesh;
- ☐ A non-resident foreigner assessee is not entitled to any sort of allowance and relief as are admissible to a resident and non-resident Bangladeshi assessee for the purpose of tax rebate;
- ☐ A non-resident foreigner assessee is liable to tax on his total income @ 30%.
- ☐ A Bangladeshi non-resident is subject to tax at normal rate, like a resident



(a) State any two characteristics of residential status of an assessee. (b) How do you determine residential status of a company?

Determination of the Residential Status

Case 1: Mr. Jalil, an Indian citizen, stayed in Bangladesh from 1st August to 31st December, 2023 of the income year. What will be his residential status for the income year 2023-24?

J -		the income year 2	2023-247	
Days of staying in B income year (01.07.2		Days of staying four years to th		Residential status
August 2023 September 2023 October 2023 November 2023 December 2023	31 days 30 days 31 days 30 days	2022-23 2021-22 2020-21 2019-20	0 days 0 days 0 days 0 days	Mr. Jalil is a non-resident foreigner since none of the conditions have been fulfilled
Total	31 days 153 days	Total	0 days	Turino.

Case 2: Mr. Hasan, a Bangladeshi citizen, stayed in Bangladesh from 1st July 2023 to 31st December, 2023 and left for Japan. What will be his residential status in the income year 2023-24?

Days of staying in BD during the income year (01.07.23 - 30.06.24) July 2023 August 2023 September 2023 October 2023 November 2023 November 2023 Days of staying in preceding four years to the income year 2022-23 No need, as 2021-22 condition one is already 2020-21 is already 2019-20 valid. Mr. Hasan is a resident since condition one has been fulfilled been fulfilled	10)-)-) 1				
July 202331 days2022-23No need, asAugust 202331 days2021-22condition oneSeptember 202330 days2020-21is alreadyMr. Hasan is a residentOctober 202331 days2019-20valid.since condition one has been fulfilledNovember 202330 daysDecember 202331 days			Days of sta	ying in preceding to the income year	Residential status
10tal	July 2023 August 2023 September 2023 October 2023 November 2023	31 days 31 days 30 days 31 days 30 days	2022-23 2021-22 2020-21	No need, as condition one is already	since condition one has been fulfilled

Case 3: Mr. Mannan stayed in Bangladesh from 1st September 2023 to 31st December 2023 and left for Trinidad. He came back on 1st May 2024 and still staying in Bangladesh. What will be his residential status in the income year 2023-24?

year 2023-24?		Davis of sto	ying in preceding	Residential status
Days of staying in Baincome year (01.07.2) September 2023 October 2023 November 2023 December 2023 May 2024 June 2024	3 - 30.06.24) 30 days 31 days 30 days 31 days 31 days 31 days 31 days 31 days	2022-23 2021-22 2020-21 2019-20	No need, as condition one is already valid.	Mr. Mannan is a resident since condition one has been fulfilled
Total				- I Jack for business nurnose

Case 4: Arman Hossain, who was born and brought up in India, stayed in Bangladesh for business purpose during 01.06.2023 to 31.08.2023 and 01.04.2024 to 31.07.2024. Find out his residential status for the income vear 2023-24.

July 2023 31 days 2022-23 31 days 2021-22	f staying in preceding Residential status ars to the income year
August 2023 April 2024 May 2024 June 2024 Total 30 days 2020-21 31 days 30 days 2019-20 Total	0 days O

Case 5: Determine residential status of Jafor Hossain for the income year, who was born & brought up in India, stayed in Bangladesh for business purpose during 01.06.2023 to 30.09.2023 and 01.04.2024 to 31.07.2024.

Days of staying in BD income year (01.07.23			ying in preceding to the income year	Residential status
July 2023 August 2023 September 2023 April 2024 May 2024 June 2024 Total	31 days 31 days 30 days 30 days 31 days 30 days	2022-23 2021-22 2020-21 2019-20	No need, as condition one is already valid.	Mr. Jafor Hossain is a resident since condition one has been fulfilled

Case 6: Determine residential status of Belal Hossain, who was born and brought up in Bangladesh, stayed outside Bangladesh for business purpose during 01.06.2023 to 31.08.2023 and 01.04.2024 to 31.07.2024.

Days of staying in BD do income year (01.07.23 -	30.06.24)	Days of sta four years t	ying in preceding to the income year	Residential status
September 2023 October 2023 November 2023 December 2023 January 2024 February 2024 March 2024 Total	30 days 31 days 30 days 31 days 31 days 29 days 31 days 213 days	2022-23 2021-22 2020-21 2019-20	No need, as condition one is already valid.	Mr. Belal Hossain is a resident since condition one has been fulfilled

Case 7: Determine residential status of Abir Hossain, who was born and brought up in Bangladesh, stayed outside Bangladesh for business purpose during 01.06.2023 to 30.09.2023 and 01.03.2024 to 31.07.2024.

Residential status
Mar Alex IV
Mr. Abir Hossain is a resident since condition
two has been fulfilled

Case 8: Determine the residential status of Mr. Thomas, a citizen of USA, who has been staying in Bangladesh since 1st January 2020. He left Bangladesh on 16th July 2023 on a visit to USA and returned on 1st March, 2024.

Condition – 1: His stay (days) in Bangladesh during the income year 2023-24 is: July 23: 16 days, Mar 24: 31 days, Apr 24: 30 days, May 24: 31 days, Jun 24: 30 days = Total (16+31+30+31+30) = 138 days

Condition – 2: His stay (days) in preceding 4 income years: 2022 – 23: 365 days, 2021 – 22: 365 days, 2020 – 21: 365 days, 2019 – 20: 182 days [1.01.20 – 30.06.20] = Total 1.277 days

Residential status: As his staying was more than 90 days in the income year 2023 - 24 and more than 365 days in the preceding 4 years, he is a resident.

Case 9: Pat Cummins, an Australian cricketer visits Bangladesh for 100 days every year since 2018 – 19. (a) Determine his residential status for the income year 2023-24. (b) Will your answer be different if he has been coming to Bangladesh for 90 days instead of 100 days every year?

If visits 100 days every year: He is a resident as he stayed in Bangladesh for 100 days (more than required 90 days) in the income year 2023-24 and 400 days (100×4) (more than required 365 days) in the preceding 4 income years i.e., 2019-20, 2020-21, 2021-22, and 2022-23.

If visits 90 days every year: Yes. He will, in this case, be a non-resident foreigner as he stayed in Bangladesh for 90 days (equal to required 90 days) in the income year 2023-24 but 360 days (90 \times 4) (less than required 365 days) in the preceding 4 income years. He does not fulfill any of the required conditions.

Case 10: Selina Akter, a Bangladeshi citizen, for the first-time left Bangladesh for higher studies on October 01, 2019. For celebrating the Eid, she came to Bangladesh on October 12, 2020, and stayed for 90 days; again, she came to Bangladesh in her brother's marriage ceremony on August 15, 2021 and stayed for 68 days. She also stayed in Bangladesh for 115 days from September 17, 2022, in Bangladesh for research purpose. Finally, after completing her studies she came to Dhaka on April 01, 2024. Determine her residential status for the income year 2023-24.

Condition 1 - Stay during income year 2023-24: April 24 - 30 days, May 24 - 31 days, June 24 - 30 days; total (30+31+30) = 91 days.

Condition 2 – Stays during four years preceding the income year: 2022-23: 115 days, 2021-22: 68 days, 2020-21: 90 days, 2019-20: (31+31+30+1) = 93 days, 2019-20: 20

Residential status: Resident, as condition 2 is valid

Case 11: Mr. Alex, a Canadian citizen, came to Bangladesh for the first time during the income year 2019-20. During the income years, 2019-20, 2020-21, 2021-22, 2022-23, and 2023-24, he was in Bangladesh for 55 days, 60 days, 90 days, 150 days and 100 days respectively. What is his residential status of Mr. Alex for the current income year.

He is a non-resident foreigner as he stayed in Bangladesh for 100 days (more than required 90 days) in the income year 2023-24 and (55+60+90+150) = 355 days (less than required 365 days) in the preceding 4 income years i.e., 2019-20, 2020-21, 2021-22, and 2022-23.

Case 12: Mr. Tanzi, a Japanese citizen, left Bangladesh after a stay of 10 years on 01.09.2021. During the financial year 2022-23, he came to Bangladesh for 46 days. Later, he returned to Bangladesh for one year on 01.02.2024. Determine his residential status for the income year 2023-24.

Condition – 1: During the year 2023-24, Mr. Tanzi was in Bangladesh for (29+31+30+31+30) = 151 days. Condition – 2: His staying in preceding 4 income years total 840 days [2022-23: 46 days, 2021-22: 63 days [1.07.21 – 1.09.21], 2020-21: 365 days, 2019-20: 366 days]

Residential status: Since second condition is fulfilled, he is a resident.

Case 13: Hanshi Tanaka, a Japanese citizen, left Bangladesh on 27.09.2022 after a stay of 10 years for Business purpose. What will be his residential status for the income year 2022-23?

Condition 1 – Stay during income year 2022-23: July 22 – 31 days, August 22 – 31 days, September 22 – 27 days = (31+31+27) = 89 days.

Condition 2 - Stay during four years preceding the income year: 2021-22: 365 days, 2020-21: 365 days, 2019-20: 366 days, 2018-19: 365 days = (365+365+366+365) = 1461 days

Residential status: Non-resident foreigner, as none of the condition is valid.

Case 14: Mr. X, a Bangladeshi citizen, left Bangladesh on 22.12.2023 for the first time, to work as an official in World Bank, Washington office. Determine his residential status for the income year 2023-24.

He is a resident as he stayed in Bangladesh for (31+31+30+31+30+22) = 175 days (more than required 90 days) in the income year 2023-24 and (365+365+365+366) = 1,461 days (more than required 365 days) in the preceding 4 income years i.e., 2019-20, 2020-21, 2021-22, and 2022-23.

Case 15: Mr. Hasan left Bangladesh on 20th August 2022 for employment on a work permit valid for two years, i.e., from 1st August 2022 to 31st July, 2024. Mr. Hasan did not come to Bangladesh at any time during the year 2022 and 2023. He finally came to Bangladesh on 10th January 2024 and did not go back. Determine his residential status for the income year 2023-24.

28.09.21

01.07.21

28.12.22

28.06.23

12.03.24 15.07.23 2023-24

Case 16: Following 2020-21: 55 dolps:	2023-24 is 175 way years with a solution of Mr. Bablus Ser-23; 200 way for during preceding four years with wars of Mr. Bablus Ser-23; 200 way for during preceding for the particulars of Mr. Bablus Ser-23; 200 way for during for the particular of Mr. Bablus Ser-23; 200 way for during for the particular of Mr. Bablus Ser-23; 200 way for during for the particular of Mr. Bablus Ser-23; 200 way for during for the particular of Mr. Bablus Ser-23; 200 way for during for the particular of Mr. Bablus Ser-23; 200 way for during for the particular of Mr. Bablus Ser-23; 200 way for during for the particular of Mr. Bablus Ser-23; 200 way for during for during for the particular of Mr. Bablus Ser-23; 200 way for during				-			
Test nassed *	Days of staying in previous 4 years		Days of staying in current income year	Year	A detailed analysis of	Date of entrance 16.09.17 12.10.18 11.02.20 09.12.20 01.07 Date of exit 28.03.18 19.03.19 14.03.20 01.03.21 28.09	Year	
_	0	31+28+ 28=194	15+31+ 30+31+	2017-18	Dr. Mahmoo	16.09.17 28.03.18	2017-18	
N/N	194	28+19 = 159	20+30+ 31+31+	2018-19	d's stay in dif	12.10.18	2018-19	
N/N	194+159 =353		19+14 = 33	2019-20	erent years is	11.02.20	2019-20	
N/A	194+159 +33 =386	= 83	23+31+	2020-21	s presented b	09.12.20	2020-21	
"				1	0			

(iii) 185 days during 2023-24 and total 360 days during last four years? 20-40 days. 2020-21: 55 days. 2021. residential status for the income your 2023-24. Wha

y stays as any in ever-en-2023-24 is 85 days which is receding four years which is more than required ampladesh during income year 2023-24 is 85 days during preceding four years which is more than required accumulated stay is [40+55+182+200] = 477 days during preceding four years which is more than required as Mr. Babblu is a resident since he fulfills the second condition, and [40+55+182+200] = 477 days during present so of days in that year, and [40+55+182+200] = 477 days during present so of days which is more than required 365 days. four years which is more than required sources and resident since he doesn't fulfill any of the conditions. His to get years which is more than required 90 days in that year although its less than required 90 days in that year although its less than required which is more which is more which is more which is more than the The 85 days in 2023-24: Mr. Babiu is a non-resident since in the political state of the state of

days.

If stays 80 days in 2022-23. Mr. Bublu is a non-resident since he doesn't fulfill any of the conditions. His stays 80 days in 2022-23. Mr. Bublu is a non-resident since he doesn't fulfill any of the conditions. His stays 80 days in 2022-23. Mr. Bublu is a non-resident since he doesn't fulfill any of the conditions. His stays 80 days in 2022-23. Mr. Bublu is a non-resident since he doesn't fulfill any of the conditions. His stays 80 days in 2022-23. Mr. Bublu is a non-resident since he doesn't fulfill any of the conditions. His stays are the stays are the stay of the conditions and the stay of the conditions are the stay of the conditions.

If stays 185 days in 2023-24 and total 360 days in way which is more than required 183 days which is more than required 183 days in Bangladesh during income year 2023-24 is 185 days which is more than required 183 days. ייניים איניים איניי If stays 185 days in 2023-24 and tutul 360 days in last four years. Mr. Bablu is a resident since he fulfills the fine of the four years 185 days which is more than required to the four years 185 days which is more than required to the four years. Ho-55+182+80] = 357 days during previous four years which is less than the required 365 days. ys 80 days in 2022-23. Mr. Bublu is a non-resident since than required 90 days in that year ladesh during income year 2023-24 is 94 days which is less than the required 365 days.

Case 17: Determine the residential status of Veronica Deliveries which is a Partnership Firm and whose (a) control and management of those affairs is situated wholly in Bangladesh. (b) control and management of those affairs is situated partly in Bangladesh.

If control and management is situated wholly in outside Bangladesh If control and management of those affairs is situated partly in Bangladesh If control and management of those affairs is situated wholly in Bangladesh (c) control and management of those affairs is situated wholly in outside Bangladesh. : Non-resident : Non-resident

affairs is situated partly in outside Bangladesh. (c) control and management of those affairs is situated control and management of those offairs is situated wholly in Bangladesh, (b) control and management of the If control and management of those offairs is situated wholly in Bangladesh Case 18: Determine the residential status of DBL which is a Banking company in Bangladesh and whose : Non-resident

Bangladesh in different years from 2017 to 2024. Determine his residential status during these income years to see his parents. The following table is providing the information about the time period he stayed After 7 years of that, he first visited Bangladesh in the year 2017. Afterwards he visited Bangladesh every ve If control and management is situated wholly in outside Bangladesh Case 19: Dr. Hasan Mahmood works as a professor in a university in Australia. He left Bangladesh in X If control and management of those affairs is situated partly in outside Bangladesh : Non-resident

58

*Test + 1: The assessee stays in Bangladesh for a period of, or for periods amounting in all to, one numeral wind periods amounting in all to, one numeral eighty-three [183] days or more in the income year; Test - 11: The assessee stays for a period of, or periods amounting in all to, ninety days [90] or more in the income year in Bangladesh and for a period of, or periods amounting in all to, three hundred and sixty-five days [365] or more during four years preceding that year.	Residential Status	Test passed *	Days of staying in previous 4 years		current income year	Days of staying in	Year
e stays in Ba s or more it nety days [9] ree hundred	Kesident	-	0	28 = 194	30+31+	15+31+	2017-18
ngladesh for the income of or more in and sixty-five	resident	N/N	194	= 159	31+31+	20+30+	2018-19
a period of, year; Test the income days [365] o	resident	N/A	194+159 =353		333	19+14	2019-20
or for period: - II: The ass year in Bang or more durit	resident	N/A	194+159 +33 =386	i i	= 83	23+31+	2020-21
s amounting essee stays f pladesh and ng four years		 Resident	194+159 +33+83 = 469	3	+20-00	31+31	2021-22
in all to, one or a period of for a period preceding the		I & II Resident	+83+90	+28 = 183	30+31	28+31+	2022-23
to, one numeric winds eriod of, or periods of periods of periods ding that year.		Resident	+90+183	33+83	+31+29+12	+31+30+31	2022-23 2023-24

wholly from Singapore; and Feex for professional services of Tk. 70,000 for a consultancy in Dubai has not yet business in Singapore has not yet been brought in Bangladesh. The Business has been managed and controlled brought in Bangladesh. The business has been managed and controlled from London; Profit of Tk. 60,000 from a income earned and payable in Bangladesh Tk. 100,000; Profit of Tk. 40,000 from a business in London has been Case 20: Mr. Jalal has earned income from various sources in the income year 2023 - 24 which are: Salary been brought in Bangladesh.

Compute total income of Mr. Jalal, assuming that he is a (a) Resident (b) Non-resident

Tk. 100,000

Resident

Non-resident

Tk. 100,000

Computation of total income

Canada Tk. 20,000 and Gifts received from his parents Tk. 45,000. but subsequently remitted to Bangladesh Tk. 60,000; Interest from deposits with a Bangladeshi bank received in from a business in Dhaka controlled from Pakistan Tk. 180,000; Rent from a property in Canada received there received in India Tk. 40,000; Income from a business in USA controlled from Bangladesh Tk. 150,000; Income Case 21: Particulars of income of Mr. Jalil for the income year 2023-24 includes: Rent from a property in Dhaka Total income Foreign income: Profit of business in London Income earned in Bangladesh: Salary Income rees from consultancy service in Dubai Profit of business in Singapore Tk. 270.000 40,000 70,000 60,000 Tk. 100,000

Compute total income of Mr. Jalil assuming that he is a (a) Resident (b) Non-resident.

Computation of total income Foreign income: Rent from property in Canada Income earned/deemed to accrue/arise in Bangladesh: Interest from deposits Income from business in Dhaka controlled from Pakistan Income from business in USA controlled from Bangladesh Rent from property in Bangladesh Tk. 450,000 Tk. 40,000 Resident 180,000 150,000 20,000 Non-resident Tk. 390,000 Tk. 40,000 150,000 180,000 20,000

Note: Gifts received from parents is not regarded as income.

Total income

1880,000 Physics paramet from hissians in Chilagong Tk 60,000, and Agricultural income in Bhutan Tk 20,000 क मिळाको Tk. 1.50,000 Programs स्थानमान क South Africa (out of which Tk. 90,000 was remitted to Bangladesh) Tk Case 22. Particulars of income of 10. Torrey for the income year 2023-24 includes. Salary income received in Regulated for services rendered in Alphanistan Tx 40,000, Income from profession in Bangladesh but received

Compute total income of M. "one examing that he is a (a) Resident (b) Non-resident

Total encome	Franchis sections		Manual dynamic I	
	Paragon successor Programme Control of Control of Sharton	Income From Processing in Bangladesh, but received in Nepal became From Processing in Bangladesh, but received in Nepal became from the surround from the su	envired discount I is in one in Hangladesh	
	uth Africa n Bhutan	m in Banglodesh bu issiness in Onttagon	d for services render	
		nt received in Nepal g Interest	red in Afghanistan	
Tk, 450,000	20,000	150,000	Tk 40,000	Resident
Tk 250,000		150,000	Tk 40,000	Non-resident

rg

COMPUTATION OF TOTAL INCOME [SECTION 29 - 31]

Section 301 provision is stated in the Act, for the purpose of charge of tax and computation of notal income any income will be included under any of the following seven heads be computed by adding the income from all income heads. If no other different According to Section 29 of the Income Tax Act 2023, total income of an assessee will

- income from Employment
- INCOME IT WIT FOR
- 00000 Agricultural income Income trem business
 - Capital gain
 - Income from financial assets
- Income from other sources

compute the total income of an assessee for charging income tax on it: According to Section 31 of the ITA 2023, the following incomes are to be included to

- where the assessee is a partner of a firm or member of an association of persons. his share on income of the firm or association of persons;
- where the spouse or minor child is not separately assessed, so much income of the spouse or minor child of such individual as arises, if,
- the spouse or minor child is dependent on the assessee;
- the assessee has a significant control on such income; or
- the assesser is willing to include these incomes

CHARGE OF INCOME TAX: BASIC PRINCIPLES

in an assessment year, in accordance with and subject to the provisions of the Income earned in an secume year, at the rate specified by the Parliament or proper authority, income. The chargeability of income tax means imposition of tax on the income Income tax 15 a direct tax which is charged upon a person in respect of his taxable

> income tax Section 18 of the Act reveals the following basic principles of charge of Tax Act. 2023 Part 4 of the Income Tax Act. 2023 provides the basis of charge of

]	-
	-
	3
	35
	in skini
	9
	111
	10.
	ome
	7
	X
•	S
	ect
	ion
	200
-	-
,	_
1	2
1	4
1	~

- Income tax shall be charged, levied, paid, and collected on the basis of the total income earned in an income year by an assessee;
- Finance Act enacted every fiscal year by the Parliament. or rates applicable in an assessment year. The rate or rates are prescribed in the Income tax shall be charged, levied, paid, and collected based on the specific rate

income corned by an assessee in a period other than the income year Incume tax may also be charged, levied, paid, and collected based on the total

- According to the provisions of the ITA 2023, the following taxes shall charged, levied, paid, and collected:
- Withholding tax / Tax deducted at source i.e. TDS
- Minimum tax; and
- □ Notwithstanding anything contained in Section 18, income tax shall be charged at the rates specified in Part 7 and the Seventh Schedule in respect of-
- Any income classifiable under the head "Capital Gain";
- Any income by way of "dividend";
- Any income by way of "winnings" from lotteries, crossword puzzles, card games, online games and other games of any sort referred to in section 67(9).

Basic Principles of Charging Tax, Surcharge / any other Charge

taxable income of an assessee. As we have discussed earlier, some basic principles are followed to charge tax on the

- ☐ As per general principles, income tax is charged on the income earned in an income year in the assessment year which is the subsequent year to the income
- firm. an association of persons, a Hindu Undivided Family, a trust, a fund, and a The charge is on every person as stated in Section 2(69) i.e., an individual, a company.
- The taxable income must pertain to income year and not to the assessment year.
- The tax is charged, levied, paid, and collected in accordance with and subject to the provisions of the ITA, 2023.
- Where income tax is to be deducted at source or paid or collected in advance as per the ITA, 2023; it shall be deducted, paid, and collected accordingly.
- corresponding to that head of income. The income has to be brought under any of the heads of income under Section 30 and can be charged to tax only if it is so chargeable under the computing section

26

equal to or exceeding fifty poisha shall be regarded as one taka. In the determination of the amount of tax or of a refund payable under this Act, fractions of a taka, less than fifty poisha, shall be disregarded and fractions of a taka

Income Tax 4ct Override Other Laws [Section 3]

provisions of this Act or any proceedings thereunder shall prevail over any other law in respect of tax on income and exemptions of tax thereof. Notwithstanding anything contained in any other law for the time being in force, the

CHARGE OF SURCHARGE [SECTION 18(4)]

charged. levied, paid, and collected in accordance with and subject to the provisions of the Acts enacted in the Parliament. tax. According to Section 18(4) of the ITA 2023, the surcharge or any other charge is The government through Parliament may also charge surcharge in addition to income

28

As per the provisions of the Finance Act, 2024, for the assessment year 2024-25, surcharges will be applicable in the following cases:

On Individual assessee for showing higher total net worth [Section 167] payable amount on his total income; Am 'Individual' asseessee is liable to pay surcharge as a percentage of net tax

More than Tk. 50 crore	More than Tk. 20 crore to Tk. 50 crore	More than Tk. 10 crore to Tk. 20 crore	having more than 8000 sq. ft house in city corporation area	having multiple motor cars under one name or,	More than Tk. 4 crore to Tk. 10 crore or,	Up to 1k 4 crore	Net Wealth Amount
35%	30%	20%		10%		N.	Rate

- On assessee having income from tobacco goods manufacturing business Biri, Jorda. Gul and other tobacco made products manufacturing business. Additional 2.5% surcharge is applicable on a taxpayer's income from Cigarette,
- surcharge depending on their engine capacity. The amount of such surcharge owners of multiple motor vehicle will have to pay the environmental protection Environmental Protection Surcharge on owner's of multiple motor cars against the engine capacity is presented in the table below: pollution. According to the provision specified in the Finance Act 2024, the discourage the use of vehicles in a bid to contain carbon emissions and air Owners of more than one motor vehicle are likely to face an environmental protection surcharge from the fiscal year 2023-24 as the government plans to

Chapter - 2 Basics of Income Tax

Exceeding 3500 cc or 175 Kw	Exceeding 150 Kw but not more than 3500 cc	Exceeding 125 Kw but not more than 150 Kw	Exceeding 100 Kw but not more than 125 Kw	Exceeding 75 Kw but not more than 100 Kw Exceeding 2000 cc hut not	Exceeding 1500 cc but not receive	Upto 1500 cc or 75 til
Tk. 350,000	Tk. 200,000	Tk. 150,000	Tk. 75,000	Tk. 50,000	Tk. 25,000	Environmental protection surcharge

- (a) Between two or more cars, the tax will be imposed on the car with higher
- (b) Environmental Protection Surcharge will be collected at source by the of registration or fitness of the vehicle Registration or Fitness Renewal Authority (i.e. BRTA) at the renewal time
- (c) If the registration or fitness renewal is done for multiple years, applicable in the subsequent fiscal year ending June 30, of the year in which Environmental Protection Surcharge is required to be paid at the rate renewal took place.
- (d) If an assessee fails to pay the above mentioned (c) Environmental Protection renewal, using the formula: Surcharge at source, such surcharge amount will be determined at the time of
- (A · B) where,
- A Accrued Environmental Protection Surcharge of previous years
- B Environmental Protection Surcharge applicable in the year of payment
- (e) If the Environmental Protection Surcharge is not paid before the submission of income tax return, such surcharge amount will be charged and collected by the DCT at the time of processing income tax return / assessment.
- Such Environmental Protection Surcharge amount is not applicable for refund or adjustment with any other kind of taxes.
- (g) For the purposes of this section, Motor Vehicle means any such vehicle Van, Human Hauler, Autorickshaw, and Motorcycle. excluding Bus, Minibus, Prime Mover, Truck, Lorry, Tank Lorry, Pickup

CLO 2.5

EXHIBIT

Illustrating Charge of Surcharge

Case 1: Mr. Sabbir has a total income of Tk. 13 lac and net wealth of Tk. 2.9 crore. His tax liability on income stands at Tk. 125,000. Here, his surcharge amount will be zero as the net wealth amount is less than Tk. 4 crore.

Case 2: Mr. Sabbir has a total meanic of Tk. 550,000 and net wealth of Tk. 2.9 crore. He owns 2 motor cars. His tax Hability stands at Tk. 15,000. Though his net wealth is below 4 crores, surcharge for having multiple motor cars stands at $(15,000 \times 10\%)$. Tk. 1,500. So, total liability of tax and surcharge will be (15,000 + 1,500) = Tk. 16,500.

Case 3: Mr. Sabbir has a total income of Tk. 1,375,000 and net wealth of Tk. 46,000,000. His tax liability on income stands at Tk. 125,000. In this case, his surcharge amount will be $(125,000 \times 10\%) = Tk. 12,500$ and total liability of tax and surcharge will be (125,000 + 12,500) = Tk. 137,500.

Case 4: Mr. Sabbir has a total income of Tk. 1,375,000 and net wealth of Tk. 11,00,00,000. His tax liability on income stands at Tk. 125,000. In this case, his surcharge amount will be (125,000 \times 20%) = Tk. 25,000 and total liability of tax and surcharge will be (125,000 \times 25,000) = Tk. 150,000.

Case 5: Mr. Sabbir has a total income of Tk. 1,375,000 and net wealth of Tk. 51,00,00,000. His tax liability on income stands at Tk. 125,000. In this case, his surcharge amount will be $(125,000 \times 35\%)$ = Tk. 43,750. So, total liability of tax and surcharge will be (125,000 + 43,750) = Tk. 168,750.

Case 6: Mr. Sabbir has a total income of Tk. 1,375,000 and net wealth of Tk. 31,00,00,000. He owns two motor cars of 1500 cc and 2700 cc respectively. His tax liability on income stands at Tk. 125,000. In this case, his surcharge amount will be (125,000 × 30%) = Tk. 37,500. Environmental Protection Surcharge on higher capacity car (he. 2700 cc) sunds at Tk. 150,000. So, total liability of tax, surcharge, and environmental protection surcharge will be (125,000 + 37,500 + 150,000) = Tk. 312,500.

Case 7: Mr. Sabbir has a total income of Tk. 1,375,000 (of which Tk. 400,000 from Cigarette manufacturing business) and net wealth of Tk. 29,000,000. His tax liability on income stands at Tk. 243,750. In this case, his surcharge amount will be zero us the net wealth amount is less than Tk. 4 crore. But 2.5% surcharge will be applicable on his income from Cigarette manufacturing business. In this case, his surcharge amount will be $(400,000 \times 2.5\%) = \text{Tk. } 10,000$ and total liability of tax and surcharge will be (243,750 + 10,000) = Tk. 253,750, $\text{Tax} = ([350,000 \times 0\%) + (100,000 \times 5\%) + (400,000 \times 10\%) + (125,000 \times 15\%) + (400,000 \times 45\%) = (0 + 5,000 \times 40,000 + 18,750 + 180,000) = 243,750$. Tax rate for income from cigarette manufacturing business is 45%.

Case 8: Mr. Sabbir has a total income of Tk. 1.375,000 (of which Tk. 400,000 from Cigarette manufacturing business) and net wealth of Tk. 41,000,000, it owns two motor cars of 1500 cc and 1800 cc respectively. His tax liability on income stands at Tk. 243,750, in this case, for having net wealth exceeding Tk. 4 crore, his surcharge amount will be $(243,750 \times 10\%) = \text{Tk. } 24,375$. Moreover, 2.5% surcharge will be applicable on his income from Cigarette manufacturing business. In this case, his surcharge amount will be $(400,000 \times 2.5\%) = \text{Tk. } 10,000$. Environmental Protection Surcharge on higher capacity car (i.e. 1800 cc) stands at Tk. 50,000. So, total liability of tax and surcharges will be (243,750 + 24,375 + 10,000 + 10,000) = Tk. 320,125. Tax = $(350,000 \times 10\%) + (100,000 \times 5\%) + (400,000 \times 10\%) + (125,000 \times 15\%) + (400,000 \times 45\%) = (0 + 5,000 + 40,000 + 18,750 + 180,000) = 243,750$. Tax rate for income from cigarette manufacturing business is 45%.

Case 9: X Ltd is a Private Limited Co. registered in Bangladesh involved in manufacturing cigarette. During the assessment year 2024-25, its total assessed income is Tk. 3,000,000 and income tax rate is 45%. Here, Income tax @ regular rate i.e., 45% (3,000,000 × 45%) = Tk. 13,50,000. Moreover, surcharge @ 2.5% (Tk. 3,000,000 × 2.5%) = Tk. 75,000. Thus, total liability of tax and surcharge will be (13,50,000 + 75,000) = Tk. 14,25,000.

CHARGE OF ADDITIONAL TAX [SECTION 19]

Notwithstanding anything contained in any other provision of ITA, 2023, where any person employs or allows, without prior approval of the appropriate authority of the Government, any individual not being a Bangladeshi citizen to work at his business or profession at any time during the income year, such person shall be charged additional tax at the rate of fifty per cent (50%) of the tax payable on his income or taka five lakh, whichever is higher in addition to tax payable under this Act.

Example: Y Ltd is a Private Limited Co, registered in Bangladesh involved in manufacturing packaging products. During the assessment year 2024-25, its total assessed income is Tk. 3,000,000 and income tax rate is 27,5% From an investigation, it has been found that they have appointed one foreigner to work at their office without prior approval of the appropriate authority. Here, the income tax liability shall be: Income tax @ regular rate i.e., 27.5% 15,000,000 = Tk. 825,000, Additional tax for appointing a foreigner without prior approval of the appropriate authority: higher of (a) 50% of the tax payable (825,000 × 50%) = Tk. 412,500 or (b) Tk. 500,000. So additional tax is Tk. 500,000. Total liability of tax and additional tax will be (825,000 + 500,000) = Tk. 13,25,000.

9 INCOME TAX RATES

CLO 2.5

There is a provision of the Finance Bill being presented to the Parliament by the Finance Minister along with the Budget every year. It contains the proposed rates of income tax for the assessment year. A few amendments in the tax laws are also incorporated therein and when it is passed in the parliament, it is known as the Finance Act. According to the Finance Act 2024, following structure of income tax rate is applicable for the assessment year 2024 – 2025.

☐ For every individual including Bangladeshi Non-residents, HUF, and Firms

On the balance of Total income	On the next Tk. 500,000 of total income	On the next Tk. 500,000 of total income	On the next Tk. 400,000 of total income	On the next Tk. 100,000 of total income	On the first 1k, 350,000 of total income	
2	2					
25%	20%	15%	10%	5%	Z.	Rate

Notes

- The minimum non-assessable income limit will be Tk. 400,000 for women, and cludri) citizens being more than 65 years of age. For third gender and disable persons Tk. 475,000, and for gazetted wounded freedom fighters (whose name is included in the gazette of Ministry of Liberation War Affairs) Tk. 500,000. The minimum non-assessable meome limit of the parents or legal guardian of disable child/dependent, will be Tk. 50,000 more for each child/dependent. If both the father and mother of such disable child/dependent are taxpayer, any one (not both) will enjoy the benefit. Minimum tax would be Tk. 5,000 (Dhaka North, Dhaka South & Chittagong City
- corporation area (CCA)); Tk. 4,000 (Other CCA) and Fk. 3,000 (Other than CCA).

Income Tax 6(A)

- Minimum tax of an individual having gross receipts of taka 3 errore or more will be 0.25% of gross receipt as per section 163(5)(a). Higher rate if the individual is engaged in the manufacturing of Cigarette, Bidi, Chewing tobacco, Smokeless
- Minimum tax of a firm having gross receipts above Tk. 50 lac irrespective of earning if the firm is in mobile phone operations (2%) or in the manufacturing of Cigarette, profit or incurring loss is 0.60% of gross receipt as per section 163(5)(a). Higher rate tobacco or any other tobacco products (3%). Carbonated Beverage Manufacturer (3%). Bidi, Chewing tobacco. Smokeless tobacco, or any other tobacco products (3%), or

Income Tax rates for particular class of taxpayers (other than company).

Income of Private Universities/Colleges (plus medical, Dental, & Engineering Colleges) where only IT related subjects are taught	and Total Tk. 36 lac annually) must be made through bank transfer. In case of failure to do so, the tax rate will be 30%.	receipts must be transacted through bank transfer; and all expenses and investments (not exceeding taka 5 lac in a single transaction	Income of Trust, Fund, Association of Persons, and other taxable entities (other than company). Provided that, all the incomes and	Act, 2001	etc. business by Cigarette Manufacturer other than company	Income from Cigarette, bidi, chewing tobacco, smokeless tobacco	Non-resident foreigner (individual)	
\Box	T	2	p.5.	s	T		(1)	R
15%		27.5%	î	20%	3	450%	30%	Rates
	4	v. Water						a.L.

☐ Income Tax rates applicable for Companies.

 20%*	^	One man company	
25%*		For company not being publicly traded company (other than banks, insurance, other financial institutions, merchant bank, cigarette manufacturing companies and mobile phone operator companies).	
 22.5%*		Publicly traded companies that transferred maximum 10% of its paid-up capital through IPO (except banks, insurance, financial inst, merchant bank, cigarette manufacturing, mobile phone operator co).	
20%*		Publicly traded companies that transferred more than 10% of its paid-up capital through Initial Public Offerings (IPO) (other than banks, insurance, financial institutions, merchant bank, cigarette manufacturing companies, and mobile phone operator companies).	
Rates			

Chapter - 2 Basics of Income Fax

				1
For Trust, Fund, Association of Persons, and any other taxable entity (not being a company).	by issuing minimum 10% of its total shares through stock exchanges (of which through Pre-Initial Public Offering Placement cannot be more than 5%). If a non-publicly mobile phone operator company transfers at least 20% of its paid-up capital through IPO, the company will get tax rebate @10% of the income tax in the year of transfer.	other tobacco products Manufacturing Companies For Mobile Phone Operators, not being publicly traded company	institutions (but not merchant bank): Por Merchant banks Por Merchant banks	17 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
25%*	40%	45%	37.5% 40% 37.5%	

zer muter and banking channel; otherwise, tax rate will be increased by 2.5%. 16 year single transaction and total taka 3.6, million in a year shall be made through * All income and receipts, and all expenses and investments over taka 0.5 million

ues obar en ze sterre.

- المال على المالية in Bangladesh under the Companies Act 1913/1994 and listed in a stock to be made. exchange in Bangladesh before the end of the year for which assessment is
- most street it aid of manufacturing loss is percentage of gross receipt amount: 3% for manufacturer of bottomed to the section 163(5)(a); bottomed at the section 163(5)(a); (4) 8 8) 1822 (Broad However, minimum tax of a company irrespective of earning profit of Care action a Gigarette, bidi, chewing tobacco, smokeless tobacco or any other tobacco products; 3% for carbonated beverage producer, 2% for Mobile phone

(2)501 min 32 mindestrial undertaking engaged in manufacturing of goods for the first three income years since commencement of its commercial production. Provided that such rate of tax shall be 0.10% of such receipts for an

At the partipageon that on its income or 75% of the total salary amount paid to such physically 10 753 (Bachillis) 744 challenged/thirdgender employee group. of its of the order of the orde organizational workforce or more than 25 employees from the physically rebate amount will be lower of five percent (5%) of the tax payable amount challenged or third gender people group, will enjoy additional rebate. The

E

CLO 2.5

CHARGE OF MINIMUM TAX [SEC 18(3)(c) & 163]

라 화

July 9rd to

Which taxes will not be treated as Minimum Tax? [Section 163(3)]

Income or loss computed in accordance with clause (d) shall not be set off with

loss or income, respectively, computed for any regular source.

☐ Tax deducted under section 120 from import of goods by an industrial Tax deducted or collected from the following sources shall not be the minimum tax: undertaking except an industrial undertaking engaged in producing cement, iron or iron products, ferro alloy products or perfumes, carbonated beverage, milk powder, aluminium products, ceramic products and toilet waters as raw materials for its own consumption;

Assessee with Income in Addition to Sources Mentioned in Sec 163(4)

regular tax shall be calculated on the income from regular source; source or sources for which minimum tax is applicable under section 163(2)-Where the assessee has income from regular source in addition to the income from

the off.

☐ the tax liability of the assessee shall be the aggregate of the tax as determined under sub-section (2) and the regular tax under clause (a).

Minimum Tax for An Individual, A Firm or A Company (Section 163(5)) □ an assessee being −

- an individual having gross receipts of take three crore or more
- a firm having gross receipts of more than taka fifty lakh; or
- a company
- · a must,
- the above-mentioned individual/firm/company/trust shall, irrespective of its profits or loss in an assessment year, be liable to pay minimum tax of an assessment year at the following rate on gross receipts:

	97.3			E	
Any other cases	cigarette, bidi, chewing tobacco, smokeless tobacco, or any other tobacco products, having gross receipts of taka 3 crore or more	Individual other than individual engaged in the manufacturing of	Mobile phone operator	Carbonated beverage	Manufacturer of cigarette, bidi, chewing tobacco, smokeless lobacco, or any other tobacco products
0.60%	0.25%		2.00%	3.00%	3.00%

since commencement of its commercial production. undertaking engaged in manufacturing of goods for the first three income years Provided that such rate of tax shall be 0.10% of such receipts for an industrial

- where the assessee has an income from any source that is exempted from tax or is be shown separately, and the minimum tax shall be calculated as follows subject to a reduced tax rate, the gross receipts from such source or sources shall
- minimum tax for receipts from sources that are subject to regular tax rate shall be calculated by applying the rate mentioned in above;
- minimum tax for receipts from sources that enjoys tax exemption or reduced reduced in proportion to the exemption of tax or the reduction of rate of tax; tax rate shall be calculated by applying the rate mentioned in above as
- minimum tax under this sub-section shall be the aggregate of the amounts calculated under above two sub-clauses.

THEMTES V. Point Sto Be Noted White Chinging the Minimum Tax (Section 1636 + 10)

by the minimum tax under sub-section (4); or (b) the minimum tax under sub-sec. (3), and of being a final Minimum tax under sub-section (2) shall not be refunded, nor shall be adjusted mind assessee, minimum tax payable by the assessee shall be the higher of (a) the Where the provisions of both sub-section (4) and sub-section (5) apply to an minimum tax under sub-section (4); or (b) the minimum tax under sub-sec. (5).

amount exceeds the minimum tax, such refund will be adjustable. from any source. While computing tax under sub-section (6), if computed tax against refund due for earlier year or years or refund due for the assessment year

star of the strategies of provisions of this Actait shall be payable in addition to the minimum tax. Where any surcharge, additional interest, additional amount etc. is payable under

and insurance of the amorninimum tax under this section, regular tax shall be payable. no (a) sounds in bellimithhere the regular tax calculated for any assessment year is higher than the

mortagines on the agreement tank, that would be applicable if the tax exemption or the reduced rate were not Signanted (iv) 'gross receipts' means all receipts derived from the sale of goods; all regular income using the regular manner; (iii) regular tax rate means the rate of In this section (i) regular source means any source for which minimum tax is not applicable under sub-section (b); (ii) regular tax means the tax calculated on

or discounts; and all receipts derived from any heads of income. fees or charges for rendering services or giving benefits including commissions

Where tax has been mistakenly deducted and collected in excess of the due minimum tax under section 163 [U's 164]. amount, such excess deduction or collection cannot be considered as collection of

revenue turnover is Tk. 20.000,000 and income tax rate is 45%, calculate income tax liability consisting net operating income of Tk. 1.250,000 and interest income of Tk. 250,000. If sales cigarette. During the assessment year 2024-25, its total assessed income is Tk. 1.500,000 Example 1: X Ltd is a Private Limited Co. registered in Bangladesh involved in manufacturing

Since, the regular tax is greater than the min., the tax liability of X Ltd. will be Tk. 675,000 Gross receipts of the company: (Tk. 20,000,000 + Tk. 250,000) = Tk. 20,250,000 Minimum tax amount = (Tk. $20.250.000 \times 3\%$) = Tk. 607.500. Income tax \hat{q} regular rate i.e., $45\% (1.500.000 \times 45\%) = Tk. 675.000$

business. During the income year 2023-24, its-Example 2: Y Ltd is a Private Limited Co. registered in Bangladesh involved in noodles

Net operating income (loss)

Tk. 200,000 Tk. 250,000 (Tk. 450,000)

Total assessed income (loss)

Calculate income tax liability Sales revenue for the income year is Tk. 2.00.00.000 and applicable income tax rate is 27.5%.

Since, the minimum tax is greater than the regular tax, the tax liability will be Tk. 121,500 Minimum tax amount = (Tk. $20.250.000 \times 0.60\%$) = Tk. 121.500. Gross receipts of the company: (Tk. 20,000,000 + Tk. 250,000) = Tk. 20,250,000 income tax a regular rate i.e., 27.5% is Nil, since there is net loss

CHARGE OF TAX ON THE DIFFERENCE OF INVESTMENT, **IMPORT AND EXPORT [SECTION 20]**

Where, in any income year, the assessee has, in the statements submitted by him:

claimed to have carried on any import or export, and the amount paid or received for such import or export respectively, as shown in the statement, is found to be different from the actual transaction value, or

claimed to have made any investment and the actual of investment is found to be lower than the amount of investment disclosed in the statement,

mentioned in clause (b), as the case may be. on the difference between the disclosed and the actual amount of investment as of lifty percent (50%) on the amount of the difference as mentioned in clause (a) or tax, without prejudice to any other provisions of this Act, shall be payable at the rate

it has been revealed that its actual amount of export was Tk. 6,00,00,000 Example 1: X Ltd., a private limited company, has claimed that the monetary value of their total export during the income year 2023-24 was Tk. 5,00,00,000. But through an investigation

> $(6.00,00,000 - 5.00,00,000) \times 50\% = Tk. 50.00,000.$ In addition to the amount of its regular tax. X Ltd. has to pay additional tax amount of fifty percent (50%) on the amount of the difference in actual and disclosed export value i.e.

investment i.e. $(1.00,000 - 80.000) \times 50\% = Tk. 10,000$ percent (50%) on the amount of the difference between the disclosed and the actual amount of addition to the amount of his regular tax. Mr. Bulbul has to pay additional tax amount of fifty through audit it has been found that his actual amount of investment was Tk. 80,000. In Example 2: Mr. Bulbul, has claimed and adjusted rebate on an investment of Tk. 100,000. But

CLO 2.6

SPECIAL TAX TREATMENT OF UNDISCLOSED OFFSHORE **ASSETS [SECTION 21]**

proceed to recover from such person the amount of penalty equal to the fair value of offshore asset not disclosed in the return and the assessee offers no explanation about Commissioner of Taxes shall, after ensuring a reasonable opportunity of being heard. the nature and source thereof or the explanation offered is not satisfactory, the Deputy where any person being a resident Bangladeshi is found to be the owner of any under any other provision of this Act and any other law for the time being in force, According to Section 21, without prejudice to any other liability which may incur

any income tax authority not being below the rank of Deputy Commissioner of action as it deems fit; or allow, conduct, permit, arrange an inquiry or investigation by to recover such undisclosed asset, the Board shall have the power to take necessary sell such asset to recover penalty. To prevent holding undisclosed offshore asset and The DCT has been empowered to conduct offshore investigation and confiscate or

OBESURPLUS ETC. [SECTION 22] - Garage CHARGE OF TAX ON RETAINED EARNINGS, RESERVES,

Companies Act, 1994 and listed to any stock exchange exceeds seventy per cent of the net income after tax, tax shall be payable at the rate of ten per cent on the total fund, reserve or surplus, called by whatever name, by a company registered under the amount so transferred in that income year force, if in an income year, the total amount transferred to retained earnings or any Notwithstanding anything contained in this Act or any other law for the time being in

The property amount does not exceed 70% of the net profit after tax. year; Net Profit After Tax Tk. 20,00,00,000 of which 60% i.e., 12,00,00,000 was transferred to **Example 1:** X Ltd., a listed company, has the following information for the current assessment case, no tax will be imposed on transferred amount to retained earnings as the transferred retained Earnings and rest of the 40% i.e., Tk. 8,00,00,000 was distributed as dividend. In this

Example 2: Y Ltd., a listed company, has the following information for the current assessment to Example 2: Y Ltd., a listed company, has the following information for the current assessment to the Example 2: Y Ltd., a listed company, has the following information for the current assessment to the Example 2: Y Ltd., a listed company, has the following information for the current assessment to the Example 2: Y Ltd., a listed company, has the following information for the current assessment to the Example 2: Y Ltd., a listed company, has the following information for the current assessment to the Example 2: Y Ltd., a listed company, has the following information for the current assessment to the example 2: Y Ltd., a listed company, has the following information for the current assessment to the example 2: Y Ltd., a listed company, has the following information for the current assessment to the example 2: Y Ltd., a listed company, has the following information for the current assessment to the example 2: Y Ltd., a listed company, has the following information for the current assessment to the example 2: Y Ltd., a listed company, has the following information for the current assessment to the example 2: Y Ltd., a listed company, has the following information for the current assessment to the example 2: Y Ltd., a listed company, has the following information for the current assessment to the example 2: Y Ltd., a listed company, has the following information for the current assessment to the example 2: Y Ltd., a listed company, has the following information for the current assessment to the example 2: Y Ltd., a listed company, has the following information for the current assessment to the example 2: Y Ltd., a listed company, has the following information for the current assessment to th retained teamings (Tk. 16,00,00,000 @ retained earnings (Tk. 16,00,00,000 @ case, 10% tax will be imposed on transferred amount to retained earnings (Tk. 16,00,00,000 @) retained Earnings and rest of the 20% i.e., Tk. 40,000,000 was distributed as dividend. In this retained Earnings 10%) = Tk. 1.60,00,000 as the transferred amount exceeds 70% of the net profit after tax.

1, 1, 14 5

CHARGE OF TAX ON STOCK DIVIDEND [SECTION 23]

amount of stock dividend declared or distributed in that income year. distribution of any cash divided by a company registered under the Companies Act, exceeds the amount of cash dividend declared or distributed or without declaration or 1994 and listed to any stock exchange, tax shall be payable @ 10% on the whole force, if in an income year, the amount of stock dividend declared or distributed Notwithstanding anything contained in this Act or any other law for the time being in

2.5 3.40 CLO

dividend amount does not exceed the cash dividend amount. dividend and Tk. 500,000 of cash dividend. In this case no tax will be imposed as the stock Example 1: A Ltd. a listed company, has declared and distributed Tk. 5,00,000 of stock

dividend amount does not exceed the cash dividend amount. dividend and Tk. 600,000 of cash dividend. In this case no tax will be imposed, as the stock Example 2: B Ltd., a listed company, has declared and distributed Tk. 4,00,000 of stock

(Tk. 600,000 @10%) = Tk. 60,000 will be imposed as the stock dividend amount exceeds the dividend and Tk. 400,000 of cash dividend. In this case . 10% tax on stock dividend amount i.e. cash dividend amount. Example 3: C Ltd., a listed company, has declared and distributed Tk. 6,00,000 of stock

dividend and no cash dividend. In this case, 10% tax on stock dividend amount i.e. (Tk. 10,00,000 @10%) = Tk. 100,000 will be imposed as the stock dividend amount exceeds the Example 4: D Ltd., a listed company, has declared and distributed Tk. 10,00,000 of stock

SPECIAL TAX TREATMENT: INVESTMENT OR VOLUNTARY DISCLOSURE OF INCOME [SECTION 24 & SCHEDULE 1]

of income. Schedule 1 of the ITA, 2023 specified the following special tax applicable cases, such provision will also be applicable in case of voluntary disclosure investment is completed, tax at the rate specified in Schedule 1 of the ITA, 2023. In Source of any sum invested by any person, shall be deemed to have been explained if the assessee pays, before the assessment for the relevant assessment year in which the

assessment year in which the investment is completed, tax at the following rate to have been explained if the assessee pays, before the assessment for the relevant person, in the construction or purchase of any building or apartment, shall be deemed Notwithstanding anything contained in this Act, source of any sum invested by any Special Treatment for investment in building or apartments (Sch 1, Part 1)

rt-med ton Chapter - 2 Basics of Income Tax

cha, Nikunja. Chittagong: Panchlaish. (R/A), Khulshi, Agrabad and Nasirabad Bonosri, Bijoynagar, Wari, Segunbagitonment, Siddheswari, Karwan Bazar, Society, Mohakhali, Uttara Model Society (DOHS), Lalmatia Housing Town, Bashundhara R/A, Dhaka Can-Dhaka: Dhanmondi Residential Area (C/A) and Dilkusha C/A of Dhaka Baridhara, Motijheel commercial area Gulshan Model Town, Banani, Area where the Building & Apartment is situated Defence Officers Housing per square meter per square meter Does not exceed Tk. 4,000 Plinth area 200 sq. meter per square meter per square meter Tk. 6,000 Exceeds

area other than above four	Paurasabha of any district	City Corporation other than entioned in above two clauses	Plinth area (square meter)
Tk.200	Tk.300	Tk.800	≤ 120
Tk.300	Tk.500	Tk.1,000	≤ 120 > 120 but ≤ 200 > 200
Tk.500	Tk.800	Tk.1,500	> 200

Tax rate per square meter

areas m In any

Notes:

clauses In any headqu In a

- building or apartment in any City Corporation before such investment is completed; or the The rate mentioned above shall be 20% higher in case where the assessee already owns a assessee makes such investment in two or more buildings or apartments.
- The rate mentioned above shall be 100% higher in case where the structure, building or floor space is constructed for commercial purpose.
- The above-mentioned tax rate shall be 150% higher in case, where-
- a notice under section 212 has been issued before submission of such return of any income or a part thereof has escaped assessment; income for the reason that any income, asset or expenditure has been concealed or
- a notice under sec 172 has been issued before submission of such return;
- any proceeding under sections 311-313 has been initiated before submission of such
- any proceeding under section 200 has been initiated and is continuing:
- VEATURE A RELIGIOUS PROCEEDING against tax evasion is in continuation under this act. The above provision of shall not apply where the source of such investment is: (a) Derived
- more for the more from any criminal activities or (b) Not derived from any legitimate source

1

Special Tax Treatment for voluntary disclosure of incomes (Sch 1, Part 2)

is less than the actual income. year. Moreover, this provision will also be applicable for any income that has escaped of income in his return of income along with the income for the current assessment of income for those year or years, may disclose such income in the respective heads assessed to tax for previous assessment year or years and he has not submitted return Norwithstanding anything contained in ITA, 2023 any person who has not been assessment in those assessment year or years or where the amount of income assessed

☐ the assessee pays before the submission of return-Return of income mentioned in above section shall be treated as valid, if -

- tax payable at applicable rate on total income including such income under respective heads of income; and
- penalty at the rate of ten percent of tax proportionate to such income under respective heads of income;
- the return of income is submitted within the time specified in section 171; and
- a declaration is enclosed with the return of income in respect of the following: and amount of tax and penalty paid thereof. name of the person declaring; head of the declared income and amount thereof,

The provision of this section shall not apply where-

a notice under section 212 has been issued before submission of such return of or any income or a part thereof has escaped assessment; income for the reason that any income, assets or expenditure has been concealed

RES

DEMI

- a notice on a banking company under clause (2) of section 200 has been issued before submission of such return of income;
- any proceeding u/s 311-313 has been initiated before return submission;
- any income declared under this section is-
- not derived from any legitimate source of income; or
- derived from any criminal activities under any other law in force; or

any income declared under this section which is exempted from tax in the concerned income year.

activities or any sector including the following: The income shown under this section may be invested in any income generating

HILL

- industrial undertaking including its expansion;
- balancing, modernization, renovation and extension of an existing industry;
- building or apartment or land;
- securities listed with a Stock Exchange in Bangladesh; or
- any trade, commercial, or industrial venture in production of goods or services

मां अंका

SCIFFE.

C form

Special Tax Treatment for Voluntary Disclosure of Assets [Sch 1, Part 3]

Notwithstanding anything contained in ITA, 2023 any person who has not shown assets in his return, may disclose such assets in his return of income and the source of

Dubned but Chapter - 2 Basics of Income Tax

apartment or floor space (b) Land. tax per square meter at the following rates on (a) ESMT: establishment, house, flat such assets shall be deemed to have been explained if the assessee pays, before the submission of regular/corrected income tax return in the assessment year 2024-2025.

icable on the	serazeo (un ni tax bites nunciaso donciaso (un	owers owers owers owers owers owers owers owers	Post of the second seco	Ď		2 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	7 See 1000
Ih a Paurasabha not included under the areas mentioned in the above clauses I to 4. Mauja under any area mentioned other than above. five clauses	other than areas mentioned in above three (1 - 3) DUE LITTO clauses and in other City Corporation (except Dhaka Equq zet of South an Dhaka: North, Chattogram, Narayangani, Gajuripur), other Development Authority, and Development Paurasabha of any district headquarters.	All mauja under- Dhaka: Dohar, Nababganj, Keraniganj, Savar, and Dhaka: Dohar, Nababganj, Keraniganj, Savar, and Dhamrai. Chittagong: Akbar Shah, EPZ, Karmaphuli, Chwakbazar, Chandgaon, Doublemooring, Potenga, Bandar, Baklia, Baezid Bostami and Sadarghat. Gaijpur: Joydebpur, Kaliganj, Bason, Konabari, Gacha, Tongi East, and Tongi West. Narayanganj: Rupganj and Araihazar Upazilla.	- Marie	Mipur Model, Darus Salam, Dakskhin Khan, Utar Khan, Turag, Shah Ali, Sabujbag, Kadamtoli, Kamrangirchar, Hazaribag, Demra, Adabor, Gendaria, Khilkhet, Airport, Uttara West, Mugda, Rupnagar, Vashantek, Badda, Pallabi, and Vatara, Chilagan, Candaria, Kamrangirchar, Badda, Pallabi, and Vatara, Rupnagar, Vashantek, Badda, Pallabi, and Vatara, Chilagan, Candaria, Khilkhet, Airport, Uttara West, Mugda, Rupnagar, Vashantek, Badda, Pallabi, and Vatara, Chilagan, Candaria, Khilkhet, Airport, Uttara West, Mugda, Rupnagar, Vashantek, Badda, Pallabi, and Vatara, Chilagan, Candaria, Khilkhet, Marangar, Vashantek, Badda, Pallabi, and Vatara, Chilagan, Candaria, Khilkhet, Marangar, Vashantek, Badda, Pallabi, and Vatara, Chilagan, Candaria, Khilkhet, Marangar, Vashantek, Badda, Pallabi, and Vatara, Chilagan, Candaria, Khilkhet, Marangar, Vashantek, Badda, Pallabi, and Vatara, Chilagan, Candaria, Khilkhet, Marangar, Vashantek, Badda, Pallabi, and Vatara, Chilagan, Candaria, Khilkhet, Marangar, Vashantek, Badda, Pallabi, and Vatara, Chilagan, Candaria, Khilkhet, Marangar, Vashantek, Badda, Pallabi, and Vatara, Chilagan, Candaria, Khilkhet, Marangar, Vashantek, Badda, Pallabi, and Vatara, Chilagan, Candaria, Khilkhet, Marangar, Vashantek, Badda, Pallabi, and Vatara, Chilagan, Candaria, Khilkhet, Marangar, Vashantek, Badda, Pallabi, and Vatara, Chilagan, Candaria, Khilkhet, Marangar, Vashantek, Badda, Pallabi, and Vatara, Chilagan, Candaria, Chilagan, Chilagan, Candaria, Chilagan, Chilagan, Chilagan, Chilagan, Chilagan, Chilagan, Chilagan, Chilagan, Chilagan,	All mauja under the following police stations- Dhaka: Bongshal, Mohammadpur, Sutrapur, Jatrabari, Uttara Model, Cantonment, Chwakbazar,	All mauja under Gulshan, Banani, Motijheel, Telgaon, Dhanmondi, Wari, Telgaon Industrial, Shahbag, Ramna, Paltan, Kafrul, New Market, and Kalabagan Police Station in Dhaka District.	
Tk. 850	Tk. 1,000	Tk: 1,500	EONE CONTRACTOR	Tk. 3,500		Tk. 6,000	ESMT
Tk. 1,000	Tk. 2,000	Tk. 3,000	01.6	Tk. 10,000		Tk. 15,000	LAND

Notes:

Undisclosed assets of 2022-2023 and preceding years can be disclosed:

nus y bear y ment

- Such asset has to be shown in the Statement of Assets of 2024-2025 or in the Statement of Assets and Liabilities submitted with the return, in applicable cases:
- The rate mentioned above shall be 100% higher in case where the structure, building or floor space is constructed for commercial purpose;
- Tax paid under this para shall be deducted from the net assets in the assessment year of 2024-2025, based on applicability.
- In case of Establishment, house, flat, apartment or floor space, tax is to be paid separately
 for the structure and land;
- The tax must be paid through Challan;
- No additional amount of fine or surcharge or any other amount would be included in this
 case and shall not be included with the tax amount computed under Section 174;
- No depreciation or amortization under Schedule 3 shall be claimed against such disclosed asset:
- The above provision shall not apply, where-
- any proceeding against tax evasion is in continuation under this act;
- any proceeding under criminal offence is in continuation under the
- any proceeding under criminal offence is in continuation under this act or any other act.

2.16

26

RATES OF INCOME TAX IN CERTAIN SPECIAL CASES UNDER THE SEVENTH SCHEDULE [NON-RESIDENT FOREIGNER, CAPITAL GAIN & WINNINGS]

- ☐ Tax rates in respect of Capital Gains: Income tax shall be charged on capital gains at the rates specified in the Seventh Schedule of the ITA, 2023 [SRO 383-Law/IT-52/2024 dated Nov 04, 2024]. The provisions are as follows:
- In the case of a company, fund and trust-
- ax at the rate of 15% on the amount of the capital gain;
- In case of a person other than a company, fund or trust, capital gain arising from the trading of listed securities in stock exchanges – tax at the of 15%.
- In case of a person other than a company, fund or trust, where the said income arises as a result of disposal by the assessee of his capital assets (other than the trading of listed securities in the stock exchanges)-
- after not more than five years from the date of their acquisition by him, tax is payable on the total income including the said income; and
- If after five years from the date of their acquisition by him, tax payable on the capital gains at the rate of fifteen per cent.
- ☐ Tax rate for income from dividend: If the total income of an assessee includes any income by way of "dividend" referred to in section 2(81), the tax payable on such income shall be-
- In the case of a company, 20% (twenty percent); and
- In the case of a person other than a company, the rate applicable on the total income of such person.

Tall and have Chapter - 2 Basics of Income Tax

In Tax rate for income from Winnings etc.: If the total income of an assessee includes any income by way of winning from lotteries, crossword puzzles, card games, online games, and other games of any sort under the head "Income from other sources", the tax payable by him on the said income shall be at the rate of wenty five percent.

Tax rate for care.

Tax rate for companies that are not bound to submit the income tax return under section 166(2): Twenty percent tax is applicable on gross receipt, according to the guidelines issued by the board. Provided that,

(I) The following incomes will ne be included in the receipt, namely:| CHARABAR | CHA

(b) Any gift or donation;
(c) Any kind of tax, rates or duty (13 JT 20 7 A)

(2) This provision is not applicable on companies that have no permanent establishment in Bangladesh.

Example 1: Chris Gayle, a West Indies Cricketer, has stayed in Bangladesh from March 01, 2024, to April 30, 2024, to play in BPL. His total contract amount was Tk. 1 crore for the season. In this case, since he stayed only 61 days in Bangladesh during I/Y 2023-2024, he is a non-resident foreigner. So, his tax liability will be @ 30% of Tk. 1 crore (i.e., Tk. 30,00,000).

Example 2: ACI Ltd.'s total income is Tk. 500,000 (inclusive of Tk. 50,000 capital gain) for the current income year. ACI's tax liability assuming 20% company tax rate is: tax on income other than capital gain (Tk. 450,000 @ 20%) = Tk. 90,000 plus tax on capital gain (Tk. 50,000 @ 15%) = Tk. 7,500. Total tax liability is (Tk. 90,000 + Tk. 7,500) = Tk. 97,500.

Example 3: Mr. Tanvir's total income is Tk. 800,000 (inclusive of Tk. 50,000 capital gain) for the current income year. If disposal of capital assets has been done within 5 years of acquisition. His tax liability is – on first Tk. 350,000 @ 0% (i.e., ni), on next Tk. 100,000 @ 5% (i.e., Tk. 5,000), on next Tk. 300,000 @ 10% (i.e., Tk. 30,000) and on the rest Tk. 50,000 @ 15% (i.e., Tk. 7,500). Total tax liability on total income is (Tk. 5,000+ Tk. 30,000+ Tk. 7,500).

Example 4: Mr. Abrar's total income is Tk. 18.00,000 (inclusive of Tk. 250,000 capital gain) bottleget Brends for the current income year. If disposal, of capital assets has been done after 5 years of on the current income year acquisition, what will be his gross tax liability?

to montant and an Gross Taxiliability:

20ff(0.29) flor Tk. 350,000 @ 0% + On next Tk. 100,000 @ 5% + On next Tk. 400,000 @ 10% + On next Tk. 500,000 @ 15% + On next Tk. 200,000 @ 20% + On capital gain Tk. 250,000 @ 15% + On next Tk. 75,000 + Tk. 40,000 + Tk. 37,500 = Tk. 197,500.

Example 5: Mr. Mahbub has won the 1" prize of the Bangladesh Diabetic Society Lottery which is Tk. 500,000. In this case, 25% tax will be imposed on this the prize from the lottery of Bangladesh Diabetic Society i.e., 718 725/000_So_Mr. Marbub will receive the after-ox amount of Tk. 375,000.

estitizes the latest "Example 6: Dhaka Tobacco Ltd.'s total income is Tk. 500,000 (inclusive of Tk. 60,000 capital ones, and the 40,000 dividend income) for the current income year. The company's tax liability the two saturating assigning 45% company tax rate is: tax on income ne other than capital gain and dividend (Tk. 40,000 and 45%) = Tk. 180,000 plus tax on capital gain (Tk. 60,000 and 15%) = Tk. 9,000 plus tax on the company tax the dividend (Tk. 40,000 and 20%) = Tk. 8,000. Total tax liability is (Tk. 180,000 + Tk. 8,000) = Tke.197,000, store a second processor.

his gross tax liability?

The serves Levi Lieuwing, a_1^{*} (a_2^{*}), a_3^{*} (a_3^{*}), a_4^{*} (a_3^{*}), a_3^{*}), a_3^{*} (a_3^{*}), a_3^{*}), a_3^{*} (a_3^{*}), a_3^{*}), a_3^{*} (a_3^{*}), a_3^{*}), a_3^{*}), a_3^{*}), a_3^{*} 0, a_3^{*} 0, a_3^{*} 1, a_3^{*} 0, a_3^{*} 1, a_3^{*} 1, a_3^{*} 1, a_3^{*} 1, a_3^{*} 2, a_3^{*} 2, a_3^{*} 3, a_3^{*} 3, a_3^{*} 3, a_3^{*} 4, a_3^{*} 3, a_3^{*} 4, a_3^{*} 3, a_3^{*} 4, a_3^{*}

8

REDUCED TAX RATE ON CERTAIN AGRO-BASED/

7 197.500

AGRICULTURAL INCOMES Reduced tax rate on agro-firm incomes etc. [SRO No. 199-AIN/IT/2015 dated tree plantation. Bee keeping. Silkworm firming, mushroom farming, floriculture produced seeds, cattle farming, dairy farming, frog farming, horticulture, Silk pelleted feed for fish, shrimp & cattle, production of seeds, marketing of locally 01'0"/2015]. Any income from production of pelleted poultry feed, production of axable at a reduced tax rate as follows:

ax Kaic		Income		IS taxable at a
	30%	e : On HEST IN. 10 lac	of or True lo	
	10%		next Tk. 20 la	
		150%	C FOI THE LEST OF THE WILLOWIN	Fact of the amount

Reduced tax rate on income from Poultry Farm, Poultry & fish hatchery, fisheries Farm [SRO No. 157-AIN/IT/2022 dated 01/06/2022].

Tax Rate : Nil	Income : On first Tk. 10 lac	,
5%	On next Tk. 10 lac	
10%	On next Tk. 10 lac	
15%	For the rest of the amount	

milk and dairy products, baby food production, and agricultural machineries Full tax exemption for certain agro-based industries [SRO No. 164-AIN/IT/2021 for the first 10 years after the commercial operation production, will get full exemption from tax (condition applies) on such incomes June. 30, 2030, engaged in fruit processing, vegetable processing, production of under the companies ACT 1994 and BIDA, established within July 01, 2021 to dated 03/06/2021]: Companies with minimum Tk. I crore investment, registered

CLO 2.6

REDUCED RATE ON CERTAIN INDUSTRIAL COMPANIES

Reduced tax rates applicable for textile sector from 2022-23 to 2024-25 (SRO other such industries will enjoy this benefit to pay income tax at a reduced rate of dyeing, finishing, coning, fabric manufacturing, fabric dyeing, printing or any sector, registered under the Company Act, 1994, engaged in spinning, yarr No. 159-AIN/IT/2022 dated 01.06.2022]: Companies of Bangladesh textiles 15%, subject to compliance with some conditions.

- Reduced tax rates applicable for jute sector from 2023-24 to 2025-26 [SRO No production of jute made goods will enjoy this benefit to pay income tax at a Person other than company, the highest tax rate will be 10% reduced rate of 10%, subject to compliance with some conditions. In case of 304-AIN/IT-18/2023 dated 05.11.2023]: Any company, engaged in the
- conditions specified in the SRO. traded ship making company 5% and non-publicly traded ship making company Special tax rate for ship making industry for 12 years effective from the date of the issuance of SRO [SRO No. 132-AIN/IT/2013 dated 28.05.2013]: Publicly 10%, only on income earned from export business, subject to fulfillment of some
- fulfillment of some conditions specified in the SRO. 40/2024 dated 27.06.2024 J: 10% from production start date, subject to 2032 [SRO No. 325-AIN/IT/2021 dated 19.10.2021; SRO No. 246-AIN/ITmotorcycle, air conditioner and compressors (including parts) upto June 30, Special tax rate for organizations engaged in production of freezer, refrigerator,
- Elderly Care Home. The SROs are effective from 1st July, 2017 Port, Airport, Subway, Monorail, Railway, Bus Terminals, Bus Depots and Elevated and At-Grade Expressways, River Bridges, Tunnels, River Port, Sea are, National Highways or Expressways and Related Service Roads, Flyovers, AIN/IT/2017 dated 21.06.2017]: Under these SROs the beneficiary PPP Projects Special tax treatment for income of companies formed under Bangladesh Public-Private Partnership Act - 2015 (PPP Companies) [SRO No. 208, 209 & 210-

operation subject to the fulfillment of certain conditions: income tax for ten (10) years effective from day of commencement of its Following incomes of the certain PPP Project Companies will be exempted from

- Income from Business 100%
- Capital gain from transfer of raised share capital, and
- Royalty, Technical know-how/Assistance Fee paid for the project operation.

after the expiry of 5 years of its operation subject to fulfillment of certain conditions while submitting income tax return. The foreign technicians will also avail 50% tax exemption for three (3) years

- Starting operation within June 30, 2024 [SRO No. 194-AIN/IT/2023 dated 19.06.2023] will enjoy tax exemption in case of: Generation Companies (Except Coal Based Electricity Generation Company) Tax rate applicable for Private Power Generation Companies: Private Power
- Income of the company from electricity generation business upto June 30, 2036, from the day of starting the operation.
- day of their entry to Bangladesh. Income of foreign nationals working in such company, for 3 years from the
- Due interest on foreign loans taken by the company
- Assistance Fees by the company. On payable amount of Royalties, Technical Know-how and Technical
- Capital gain arisen from the transfer the company's shares

- 30% value addition in own factory. sources and heads. To avail this benefit, the manufacturer must ensure at least 30. 2030. This exemption will not be applicable for the income from other from tax for the next 10 years from the date of starting the operation within June sound system, power supply, USB cable, CCTV & pen drive) will be exempted manufacturers of computer accessories (motherboard, casing, UPS, speaker, Special tax treatment for the manufacturers of computer accessories [SRO No 163-AIN/IT/2021 dated 03.06.2021]: Under this SRO, the income of the
- sources and heads. operation. This exemption will not be applicable for the income from other will be exempted from tax for the next 10 years from the date of starting the Special tax treatment for the new companies under light engineering sector [SRO 2030, involved in the production of industrial machinery parts (not full machine). companies under light engineering sector, registered under the Companies Act No. 166-AIN/IT/2021 dated 03.06.2021]: Under this SRO, the income of the new 1994 & BIDA, started commercial operation within July 01, 2021 to June 30,
- must ensure at least 30% value addition in own factory. income from other sources and heads. To avail this benefit, the manufacturer date of starting the operation. This exemption will not be applicable for the home appliances [washing machine, blender, microwave oven, electric sewing Special tax treatment for the home appliances manufacturers [SRO No. 167-2021 to June, 30, 2030, will be exempted from tax for the next 10 years from the machine, induction cooker, kitchen hood, and kitchen knives] within July 01, registered under the companies ACT 1994 and BIDA, started manufacturing AIN/IT/2021 dated 03.06.2021]. Under this SRO, the income of the companies.
- the first 10 years and next 10 years. After the first five years, the company has to applicable for the income from other sources and heads. To avail this benefit, the subject to the fulfillment of certain conditions This exemption will not be assemble engine, transmission system, and steering system in the own factory. manufacturer must ensure at least 30% and 40% value addition in own factory for reduced tax rate will be applicable after the full exemption of first 10 years tax for the first 10 years from the date of starting the operation. Moreover, 10% [three wheelers & four wheelers] within June 30, 2030, will be exempted from with minimum 100 crore taka investment, started manufacturing automobile the income of the companies, registered under the Companies Act 1994 & BIDA manufacturers [SRO No. 170-AIN/IT/2021 dated 03.06.2021]: Under this SRO, Special tax treatment for the automobile (three wheelers & four wheelers)
- Special tax treatment for new hospitals [SRO No. 169-AIN/IT/2021 dated Some of the conditions are: date of starting the operation subject to the fulfillment of certain conditions 03.06.2021]: Under this SRO, the income of the hospitals, registered under the 2021, to June 30, 2030, will be exempted from tax for the first 10 years from the Companies Act 1994 and BIDA, started commercial operation within July 01,

The exemption will not be applicable for the income from other sources and heads. Only income from medical and diagnostic services will avail the

The exemption will be applicable for the following categories of hospitals:

Category A Should be at least 250 bed hospital with separate child/pediatric, women & maternity, oncology, and wellbeing & preventive medicine unit;

Must be operated by closed staffs (including doctors);

Must have minimum 5% ICU.

Category B

Should be minimum 200 bed specialized hospital;

Must be operated by closed staffs (including doctors).

Special lax treatment for educational training providers for Human Resource of certain conditions. Some of the conditions are: from tax for the first 10 years from the date of approval subject to the fulfillment Act 1994 and BIDA with minimum 5 crore taka investment, will be exempted the income of the educational training providers, registered under the Companies Development [SRO No. 168-AIN/IT/2021 dated 03.06.2021]: Under this SRO,

It must be approved by Bangladesh Technical Education Board, Directorate General of Health Services, or Bangladesh Nursing & Midwifery Council, as the case may be. It must follow approved curriculum including the National

Skill Development Policy.

It must have permanent teacher, trainer, infrastructure & active lab/workshop The exemption will not be applicable for income from other sources & heads

the approval for exemption under this SRO: The following categories of educational training providers are eligible to get

All the Diploma degrees and Vocational education on Agriculture,

Professional Training on Automobile, Aircraft Maintenance, Food, Fisheries, Science and IT; Refrigeration, Ceramics, Mechanist, Garments Design & Pattern Footwear, Glass, Mining, Mechanical, Ship Building, Leather, Ultrasound, Dental, Animal Health & Production Service, Clothing & Making, Pharmacy, Nursing, Integrated Medical, Radiology & Imaging, Garment Finishing, Poultry Firming,

CLO 2.5 2.6

CLO 2.6 9

SPECIAL TAX EXEMPTION FOR COMPANIES IN THE **ECONOMIC ZONES OR HI-TECH PARKS**

Special tax exemption for companies in Economic Zones [SRO 244-AIN/ITeconomic zones under Bangladesh Economic Zone Act, 2010 (Act no 42 of 38/2024 dated 27.06.24]: Companies established in government declared

Chapter - 2 Basics of Income Tax

2010), will enjoy exemption from paying income tax for 10 years as per following rates [SRO 226-AIN/IT/2015 dated 08.07, 15; SRO 228-AIN/IT/2015 dated 08.07. 15]:

ate	ear
100%	1,2&
80%	3 4
70%	5
60%	6
50%	7
40%	∞
30%	9
20%	10

accounts u/s 35; and → Have to submit income tax return timely u/s 75. To enjoy such exemption, the companies must → Take TIN; → Maintain proper

Special tax exemption for companies in Hitech Park [SRO 245-AIN/IT-39/2024 enjoy exemption from paying income tax for 10 years as per following rates: under Bangladesh Hi-Tech Park Authority Act, 2010 (Act no 8 of 2010), will dated 27.06.24]: Companies established in government declared hittech park

Sen

Rate of exemption	Year	
100%	1 to 7	-
70%	8 to 10	

Developer companies appointed to develop government declared economic zones no 8 of 2010), will enjoy exemption from paying income tax for 12 years from under Bangladesh Economic Zone Act, 2010 (Act no 42 of 2010) & government Special tax exemption for developers of Economic Zones and Hitech Park [SRO declared hi-tech park under Bangladesh Hi-Tech Park Authority Act, 2010 (Act AIN/IT/2015 dated 08.07. 15; SRO 229-AIN/IT/2015 dated 08.07. 15]: 227-AIN/IT/2015 dated 08.07.15; SRO 229-AIN/IT/2015 dated 08.07.15]. the commencement of their business as per following rates [SRO 227.

Section Land

30%	70%	100%	late of exemption
12	=	1 to 10	Year

REDUCED TAX RATE IN MISCELLANEOUS CASES

□ Tax rate applicable for national level Research Institute established under the Trust Act, 1882 or Societies Registration Act, 1860 [SRO No. 163-AIN/IT/2014 dated 26.06.2014]: 15%, effective from 1st July 2014.

any Asset Management Company upto assessment year 2026-2027 [SRO No. 49-AIN/IT-26/2024 dated 13.03.2024]: 15% reduced tax rate shall be Reduced lax rate Asset Management Company's Mutual Fund Management Fee applicable on the income only earned from the Mutual Fund Management Fee by

assessee is fined for non-compliance of environmental regulations, a regular tax from tax for individual, firm, and HUF. For other assessee's the tax rate will be Reduced tax rate and exemption on income from export proceeds [SRO No. 44. AIN/IT-25/2024 dated 04.03.2024]. 50% of the export proceeds will be exempted 12% on such income. If such income arises from LEED certified factories, If the

_D	ned Personne To
rate will be applicable. All specifies Internet Related Service will be Telecommunication Service, and Internet & Internet Related Service will be telecommunication Service, and Internet & Internet Bullet 30, 2028. Telecommunication Service, and Internet & Internet Bullet 30, 2028. Redwoed tax rate and examption on income earned by the RFP, AGF, ASF, and APF [SRO vo. 156-4/VIT-31/2024 dated 29,05,2024]: 15% reduced tax rate APF [SRO vo. 156-4/VIT-31/2024 dated 29,05,2024]: 15% reduced tax rate APF [SRO vo. 156-4/VIT-31/2024 dated 29,05,2024]: 15% reduced tax rate APF [SRO vo. 156-4/VIT-31/2024 dated 29,05,2024]: 15% reduced tax rate APF [SRO vo. 156-4/VIT-31/2024 dated 29,05,2024]: 15% reduced tax rate APF [SRO vo. 156-4/VIT-31/2024 dated 29,05,2024]: 15% reduced tax rate APF [SRO vo. 156-4/VIT-31/2024 dated 29,05,2024]: 15% reduced tax rate APF [SRO vo. 156-4/VIT-31/2024 dated 29,05,2024]: 15% reduced tax rate APF [SRO vo. 156-4/VIT-31/2024 dated 29,05,2024]: 15% reduced tax rate APF [SRO vo. 156-4/VIT-31/2024 dated 29,05,2024]: 15% reduced tax rate APF [SRO vo. 156-4/VIT-31/2024 dated 29,05,2024]: 15% reduced tax rate APF [SRO vo. 156-4/VIT-31/2024 dated 29,05,2024]: 15% reduced tax rate APF [SRO vo. 156-4/VIT-31/2024 dated 29,05,2024]: 15% reduced tax rate APF [SRO vo. 156-4/VIT-31/2024 dated 29,05,2024]: 15% reduced tax rate APF [SRO vo. 156-4/VIT-31/2024 dated 29,05,2024]: 15% reduced tax rate APF [SRO vo. 156-4/VIT-31/2024 dated 29,05,2024]: 15% reduced tax rate APF [SRO vo. 156-4/VIT-31/2024 dated 29,05,2024]: 15% reduced tax rate APF [SRO vo. 156-4/VIT-31/2024 dated 29,05,2024]: 15% reduced tax rate APF [SRO vo. 156-4/VIT-31/2024 dated 29,05,2024]: 15% reduced tax rate APF [SRO vo. 156-4/VIT-31/2024 dated 29,05,2024]: 15% reduced tax rate APF [SRO vo. 156-4/VIT-31/2024 dated 29,05,2024]: 15% reduced tax rate APF [SRO vo. 156-4/VIT-31/2024 dated 29,05,2024]: 15% reduced tax rate APF [SRO vo. 156-4/VIT-31/2024 dated 29,05,2024]: 15% reduced tax rate APF [SRO vo. 156-4/VIT-31/2024 dated 29,05,2024]: 15%	Theory and Practice of Transportation Service, Mobile
iernet & Internet Related of is valid upto June 30, 200 of is valid upto June 30, 200 of is valid upto June 30, 200 of is valid upto June 80, 200 of is vali	of Transportation S
28. AGF, ASF, and reduced tax rate Provident Function Fund (ASF)	ervice, Mobile

TAXPAYER'S REGISTRATION [SECTIONS 261 - 265]

Who can register as an assessee? [Section 261]

A person will register as an assessee, if he-

is liable to submit income tax return under section 166; is a taxpaver.

is required to furnish a proof of submission of return under section 264:

is willing to pay income tax or submit income tax return.

(TIN). Board may, by general or special order, direct any person who already holds a Board will provide the registered assessee with a Taxpayer's Identification Number may be issued without any application where any income tax authority has found a TIN to furnish specified information or documents. Here, it is to be provided that TIN person who is supposed to be registered but has failed to do so before issuance of the

Cancellation of Taxpayer's Registration [Section 262]

An assessee may apply for the cancellation of his registration, if he-

is not required to furnish a proof of submission of return under section 264; and does not fall within the scope of the definition of assessee u/s 2(22)

same in future period due to physical inability or any other reason; has zero taxable income for consecutive past three years and will have the

loses the existence due to death, liquidation, dissolution, or any other reason, not liable to submit income tax return under section 166;

gets duplicate or wrong registration:

After receiving and evaluating the application for the cancellation, the income tax authority may cancel the registration, if they be certain that -

furnishes any other legal ground changes the legal status;

the assessee has no due amount to be paid;

no assessment is pending against the assessee;

the reason specified for registration cancellation by the assessee is found valid. no income tax related dispute is pending in any torum;

> following grounds: The Board may, suo moto, cancel the registration of an assessee based on the

☐ If there is ground to cancel the registration under section 262(1-2);

☐ If there is reason to believe that the assessee has no income from real or legal The registration was done with an intention to be involved in economic crime or

The information provided during the registration process was wrong or false. money laundering; or

already received against it. of time. It is provided that "Cancellation of Registration" means that the TIN becomes records of the assessee, whose registration has been cancelled, for a particular period The Board, as they think appropriate, may preserve the relevant information and inactive, dormant, and useless for all; but not the deletion or eraser of the information

Withholder Identification Number (WIN) [Section 263]

on prescribed methods. [Section 263 (2-3)] the person failed to obtain it, Board may issue a temporary WIN to that person based any proceedings against the said person. In case where having WIN is mandatory but failure to obtain the WIN, as mentioned in sub-section (1), will not be a barrier to take prescribed conditions and methods set by the Board [Section 263 (1)]. Any person's (i.e. TDS), shall have to take a Withholder Identification Number (WIN), based on Any person who is required to deduct or collect taxes under Part 7 of the ITA, 2023

Requirement of Proof of Submission of Return | Section 264)

Requirement of Proof of submission of return in certain cases are [Section 264]:

□ Notwithstanding anything contained in this Act, a person shall be required to furnish a proof of submission of return in certain cases.

☐ The proof of submission of return shall-

be an acknowledgment receipt of return prescribed by the Board; or

a system generated certificate containing name and Taxpayer's Identification Number (TIN) of the person and the year for which return has been

a certificate issued by the Deputy Commissioner of Taxes containing the been submitted. name and the 12-digit TIN of the person and the year for which return has

☐ The proof of submission shall be furnished in the following cases U/s 264:

applying for a loan exceeding Taka 20 (twenty) lakh, provided not to have any taxable income;

becoming a director or a sponsor shareholder of a company:

obtaining or continuing an import registration certificate or export registration certificate;

obtaining or renewal of a trade license in the area of a city corporation or paurashava;

- obtaining registration of co-operative society;
- Obtaining the issuance or renewal of license of or enlistment of a surveyor of

1

- general insurance;
- power of attorney or selling of a land, building or an apartment situated Obtaining registration, by a resident, of the deed of transfer, baynanama or cantonment board, where the deed value exceeds ten lakh taka; within a city corporation or a paurashava of a district headquarter or
- Obtaining or maintaining a credit card:
- engineer, architect or surveyor or any other similar profession; dentist, lawyer, chartered accountant, cost and management accountant, obtaining or continuing the membership of the professional body as a doctor,
- Obtaining and retaining a license as a Nikah Registrar under the Muslim Marriage Registrar under the Hindu Marriage Registration Act, 2012 (Act No. 40 of 2012), or Registrar under the Special Marriage Act, 1872 (Act No. Marriages and Divorces (Registration) Act, 1974 (LII of 1974), Hindu
- Obtaining or maintaining the membership of any trade or professional body;
- certificate. BSTI licenses and clearance; Obtaining or renewal of a drug license, a fire license, environment clearance
- area and obtaining or continuing residential connection of gas in Obtaining or continuing commercial and industrial connection of gas in any
- Obtaining or continuing a survey certificate of any water vessel including launch steamer/fishing trawler/cargo/coaster/dump-burge etc., plying for
- Obtaining the permission or the renewal of permission for the manufacture of bricks by Deputy Commissioner's office in a district or Directorate of Environment, as the case may be;
- Obtaining the admission of a child or a dependent in an English medium school, situated in any city corporation, district headquarter or paurasabha;
- Obtaining or continuing the connection of electricity in a city corporation or cantonment board;
- Obtaining or continuing the agency or the distributorship of a company,
- Obtaining or continuing a license of arms;
- Opening a letter of credit for the purpose of import;
- Opening postal savings accounts of Taka exceeding five lakhs;
- Opening and continuing bank accounts of term deposits with credit balance exceeding Taka ten lakhs;
- Purchasing savings instruments (Sanchayapatra) of Taka exceeding 5 lakhs;
- corporation or Jatiya Sangsad; Participating in any election in upazilla, paurasabha, zilla parishad, city
- accommodation or any other assets; Participates in a shared economic activity by providing motor vehicle, space,

- Receiving any payment which is an income of the payee classifiable under administrative function or in any supervisory position in the production the head "Salaries" by any person employed in the management or
- Receiving any payment which is an income of the payee classifiable under instrument being in force. corporation, body or units of the government or formed by any law, order or the head "Salaries" by an employee of the government or an authority.
- recharge of mobile phone account; Receiving any commission, fee or other sum in relation to money transfer through mobile banking or other electronic means or in relation to the
- of manpower or providing security service; or consultancy service, catering service, event management service, supply Receiving any payment by a resident from a company against any advisory
- Order (MPO) if the amount of payment exceeds Tk. 16,000 per month; Receiving any amount from the Government under the Monthly Payment
- Registration or renewal of agency certificate of an insurance company;
- Registration, change of ownership or renewal of fitness of a motor vehicle of any types excluding two and three wheeler;
- Micro Credit Regulatory Authority; NGO Affairs Bureau or to a Micro Credit Organization having licence with Releasing overseas grants to a non-government organization registered with
- Bangladesh; Selling of any goods or services by any digital platforms to consumers in
- Submitting tender documents by a resident for the purpose of supply of Companies Act, 1994 and Societies Registration Act, 1860; Submitting application for the membership of a club registered under the
- Receiving goods or services by any company or firm; goods, execution of a contract or rendering a service;
- Submitting a bill of entry for import into or export from Bangladesh
- approval from Rajdhani Unnayan Kartipakkha (Rajuk), Chittagong Cox's Bazar Development Authority or other concerned authority, in any Rajshahi Development Authority (RDA), Gazipur Development Authority Development Authority (CDA), Khulna Development Authority (KDA), Submitting a plan for construction of building for the purpose of obtaining city corporation or paurasava;
- Obtaining or renewal of the license of the Vendor of Stamp, Court Fee, and Cartridge paper or Deed Writer;
- Microcredit Organization, Society, and Co-operative Society; Opening and continuing bank accounts of Trust, Fund, Foundation, NGO
- House Owner's, at the time of taking rent or lease of the house by specified
- Goods or Service Provider's, at the time of receiving goods or services;

During obtaining and renewing licenses of hotels, restaurants, motels,

- While availing services in Community Centre, Convention Hall or similar hospitals, clinics, diagnostic centers;
- located in City Corporation Area.

The Board may, by a general or special order, exempt any person from furnishing

- proof of submission of return.
- of submission of return provides a certificate from the Board that he is exempted the provision of sub-section (1) or the person who is required to furnish the proof may be, unless the proof of submission of return is furnished as required under so process, approve, sanction, issue, allow, execute or make payment, as the case connection or operation, executing registration or making any payment shall not distributorship, sanctioning any loan, issuing any credit card, allowing The person responsible for processing any application or nomination, approving any license, certificate, membership, permission,
- The person to whom the proof of submission of return is furnished shall verify the authenticity of it in the manner as may be specified by the Board. from furnishing such proof.
- as imposed by the Deputy Commissioner of Taxes. an assessee in default and be liable to pay a penalty not exceeding Taka ten lakh case may be, fails to comply with the relevant sub-sections, shall be deemed to be connection or operation, executing registration or making any payment, as the distributorship, sanctioning any loan, issuing any credit card, allowing Where the person responsible for processing any application or nomination, or approving any license, certificate, membership, permission, admission, agency or
- No penalty under this section shall be imposed upon a person without giving a reasonable opportunity of being heard.
- submission of return, furnish a system generated certificate containing name and A person not being an individual shall, instead of furnishing a proof of Taxpayer's Identification Number (TIN)-
- In the year of incorporation, registration or formation, as the case may be, under any law or instruments having the force of law; and
- In the year following the year of incorporation, registration or formation, as the case may be, under any law or instruments having the force of law.

Displaying of Proof of Submission of Return [Section 265]

Commissioner of Taxes empowered to this end. and not exceeding Tk. 50,000 (fifty thousand) as imposed by the Deputy premises. Failure to do so, a penalty of not less than Tk. 20,000 (twenty thousand) return as defined in section 264 at a conspicuous place of such assessee's business An assessee having income from business shall display the proof of submission of

drant but Chapter - 2 Basics of Income Tax

EXHIBIT

日 日本田 山 日 田 本 中・・

Steps in Computing Income Tax for an Individual

The following steps are followed to calculate the income tax liability of an individual:

Step 1: Total income (TI) calculation

If the individual is a resident

TI = Domestic income + Foreign income

Total Income = Domestic income If the individual is a non-resident

Step 2: Gross Tax Liability calculation using regular income tax rates for an individual

Tax rates for resident & non-resident Bangladeshi

Regular rate i.e., 0%, 5%, 10%, 15%, 20% & 25% under different slabs [See - Section 2.9 of this chapter]

Tax rates for non-resident foreigner 30%

Step 3: Deducting rebates from Gross tax liability to get Net tax liability

- Only resident and non-resident Bangladeshi individual assessee are eligible to get rebates. Non-resident foreigner assessee will not get any tax rebate.
- Resident and non-resident Bangladeshi assessee are eligible to get
- \odot Tax rebate on investment allowance (lower of (a), (b) and (c)). (a) 3% of Total Income excluding any income on which a tax exemption or a reduced rate or minimum tax rate is applicable.

(b) 15% on total amount of investment allowance or contribution made by the assessee within the scope of the Sixth Schedule, Part 3 [See Chapter Lower one

(c) Tk. 10,00,000

(ii) Rebate on tax free income (i.e., share of profit in a partnership firm/association of persons, if tax has already paid by the firm/AOP) @ average rate.

Average Rate = $(Gross Tax + Total Income) \times 100$

Surcharges will be applicable on an individual assessee (resident and non-resident Bangladeshi) in following Step 4: Adding Surcharges (if any) with Net Tax Liability to get net tax liability & surcharge amount

- 3 Surcharge for having net wealth of more than Tk. 4 crore @ applicable rates on net tax payable amount [See Section 2.7 for detail]
- (ii) 2.5% surcharge on income from tobacco goods mfg. business.
- (iii) Environmental Protection Surcharge for being the owner of multiple motor vehicles at specified rate [See Section 2.7 for detail]

Step 5: Deduction/adjustments of the items (if any) below to get net amount payable with income tax return.

- (ii) Tax deducted at source (TDS) / Withholding tax
- (iii) Tax refund claim

SOLVED PRACTICAL CASES (SPC)



Mr. Ramit, a 50-year-old Bangladeshi citizen, lives in Dhaka. Calculate his income

tax liability for the current assessment year based on the following information:

 Stayed in Bangladesh during the income year: 300 days Total Global Income Tk. 14,50,000 [domestic income Tk. 10,50,000; foreign

Income Year: 2023 - 2024

- Net wealth amount at the end of the income year: Tk, 2 crore
- He has made actual allowable investment of Tk. 250,000.
- TDS Tk. 20,000 & Tax refund claim Tk. 5,000.

	Assessment Year: 2024 - 2023	
Assessee: Mr. Ramit	Assessment	
Tax computation and Payment		Tk. 140,000
a. Gross tax before tax rebate (wo	rkings 1)	37,500
h Tax rebate (workings 2)		102,500
c. Net tax after tax rebate $[a-b]$		
d Surcharge (note)		102,500
e. Net tax liability and surcharge /	$f_c + df$	20,000
 Tax deducted or collect at source 	ee .	5,000
g. Adjustment of tax refund		77,500
n. Amount paid with return [e - (f	+ g)J	

Workings	1: Computat	ion of gross	tax	liabili
Workings	1: Computat	ion of gross	tax	liabili

Workii	On first Tk.	On next Tk.	On next Tk. 400,000	On next Tk. 500,000	On next Tk. 100,000	Total (Tk.) 1,450,000
Rate	350,000 @ 0%	00,000 @ 5%	@ 10%	@ 15%	@20%	-
Tax	-	5,000	40,000	75,000	20,000	140,000

Workings 2: Computation of tax rebate on investment

Eligible amount of tax rebate	A. 3% of total income (3% of Tk. 1,450,000) B. 15% of actual investment (15% of Tk. 250,000) C. Tk. 1,000,000	Tk. 43,500 Tk. 37,500 Tk. 1,000,000
[i.e., 1k. 37,300]		S) 1

Note: No surcharge is applicable since his net wealth amount is less than Tk. 3 crore.



Mrs. Selina, a 50-year-old Bangladeshi citizen, lives in Dhaka. Calculate her income tax liability for the current assessment year based on the following information:

- Stayed in Bangladesh during the income year: 200 days
- Total Global Income Tk. 1,800,000 [domestic income Tk. 1,500,000; foreign income Tk. 300,0001
- Net wealth amount at the end of the income year: Tk. 5 crore
- She has made actual allowable investment of Tk. 400,000.
- TDS Tk. 20,000 & Tax refund claim Tk. 5,000.

Ta	a companion and Paymont	nt Year: 2024 - 2025	Income Year: 2023 - 2024
a.	Gross tax before tax rebate (workings 1)		
b.	rax redate (workings 2)		Tk. 200,000
c.	Net tax after tax rebate $[a-b]$		
d.	Surcharge (note)	1 11 2 11	146,000
e.	Net tax liability and surcharge $[c + d]$		14,600
f.	Tax deducted or collect at source		160,600
g.	Adjustment of tax refund		20,000
1.	Amount paid with return $[e - (f + g)]$		5,000
_	10 (9)		135,600

Workings 1: Computation of gross tax liability

	On first Tk. 400,000	On next Tk. 100,000	On next Tk. 400,000	On next Tk.	On next Tk.	Total (Tk.)	
Rate	@ 0%	@ 5%		500,000	400,000	1,800,000	
Tax	_	5,000	@ 10%	@ 15%	@20%	-	
Tun		3,000	40,000	75,000	80,000	200,000	

Workings 2: Computation of tax rebate on investment

(lesser of A, B, and C)	A. 3% of total income (3% of Tk. 1,800,000) B. 15% of investment all. (15% of Tk. 400,000) C. Tk. 1,000,000	Tk. 54,000 Tk. 60,000 Tk. 1,000,000
	1 n ×	12

Note: 10% surcharge on net tax liability of Tk. 146,000 = Tk. 14,600.



Mr. Bashir, a 70-year-old Bangladeshi citizen, lives in America. He is a registered taxpayer of DNCC. Calculate his income tax liability for the current assessment year based on the following information:

- Stayed in Bangladesh during the income year: 50 days
- Total Global Income Tk. 16,50,000 [domestic income Tk. 5,50,000; foreign income Tk. 11,00,0001
- Net wealth amount at the end of the income year: Tk. 11 crore
- He has made actual allowable investment of Tk. 120,000 in Bangladesh.
- TDS Tk. 1,000 & Tax refund claim Tk. 1,000.

	ssessment Year: 202	24-2025	Income	Year:	2023 - 2024
Tax computation and Payment			•		
a. Gross tax before tax rebate (working	ngs 1)				Tk. 10,000
Tax rebate (workings 2)		< 93	1011116	*.	16,500
Net tax after tax rebate $[a-b]$,				(6,500)
Minimum tax		\$57			5,000
e. Surcharge (note 1)			Section 1		1,000
f. Net tax liability and surcharge [d +	e]		1751 1		6,000

Tax deducted or collect at source

Adjustment of tax refund Amount paid with return [f - (g + h)]

Workings 1: Computation of gross	On next Tk.	On next Tk.	Total (1K.) 550,000 (note 3)
On first Tk. 400,000 (note 2) Rate	100.000 @ 5% 5,000	50,000 @ 10% 5,000	10,000

ebate on investment Tax

Computation of	121 7EDUITO - STL 550 000)	1 10.500
Workings 2: Computation of	A. 3% of total income (3% of Tk. 550.000)	Tk. 18,000
rumble amount for rebate	B. 15% of investment all. (13	Tk. 1,000,000
(lesser of A. B. and C)	C. Tk. 1.000,000	
75 0000		

Note: (1) 20% surcharge on net tax liability of Tk. 5.000 = Tk. 1000 (2) Since he is a senior citizen (more than 65 Note: [1] 20% surenage on the day manning of the surenage of t assessee So, he will pay tax only on income earned inside Bangladesh @ regular rate. (4) The calculated net tax lability is less than the minimum tax, he must pay minimum Tk, 5,000 as tax as a registered taxpayer of DNCC.



Mr. Bashir, a 50-year-old disabled Bangladeshi citizen, lives in Rajshahi. Calculate his income tax liability for the current assessment year based on given information:

- Stayed in Bangladesh during the income year: 360 days
- Total Global Income Tk. 1,575,000 [domestic income Tk. 1,300,000 (house property income Tk. 700,000; income from catering business Tk. 300,000; capital gain from selling a capital asset within 5 years of acquisition Tk. 100,000; share of profit in a partnership firm Tk. 200,000); foreign income Tk. 275,000]
- Net wealth amount at the end of the income year: Tk. 22 crore
- He has made actual allowable investment of Tk. 400,000.
- Advance tax Tk. 25,000, TDS Tk. 10,000 & Tax refund claim Tk. 5,000: <

Assessee: Mr. Bashir	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
Tax computation and Payme	nt	Tk. 140,000
a. Gross tax before tax rebate	e (workings 1)	47,250
b. Tax rebate: On allowable	investment (workings 2)	
c. Tax rebate: On share of pr		17,780
d. Net tax after tax rebate [a		74,970
e. Surcharge (note 2)	10 6/	22,491
f. Net tax liability and surch	arge [d - e]	97,461
g. Advance tax		25,000
h. Tax deducted or collect at	source	10,000
i. Adjustment of tax refund		5,000
j. Amount paid with return	[f-(g+h+i)]	57,461

sworkings 1: Computation of gross tax liability

On f	5,000	100,000	On next Tk. 400,000	On next Tk. 500,000	100,000	1,575,000
Rate @	0%	@ 5% 5.000	@ 10%	@ 15% 75,000	@20% 20,000	140,000

....tings 2. Computation of tax rebate on investment

Eligible amount for rebate (lesser of A, B, and C) [i.e., Tk. 47,250] A. 3% of total income (3% of Tk. 1,575,000) B. 15% of investment all. (15% of Tk. 400,000) C. Tk. 1,000,000	Tk. 47,250 Tk. 60,000 Tk. 1,000,000
--	---

Note: (1) Rebate on share of profit in a partnership firm \hat{u} average rate. Here, average rate = (Gross tax = Total income) × 100 = (140,000 ÷ 15,75,000) × 100 = 8.89%. Rebate on share of profit in a partnership firm = (Tk. 200,000 @ 8.89%) = Tk. 17,780 (2) 30% surcharge on net tax liability of Tk. 74,970 = Tk. 22,491 (3) For capital gain, separate rate of tax is not required as the capital asset has been sold within five years of acquisition.



1.000

1.000 4.000

16 500

Th

Mr. Belal, a 50-year-old Bangladeshi citizen, lives in Coxsbazar. Calculate his income tax liability for the current assessment year based on the given information:

- Stayed in Bangladesh during the income year: 260 days
- Total Global Income Tk. 5,550,000 [Domestic Tk. 50 lac & foreign Tk. 5.50 lac]
- Domestic income includes:
 - house property income Tk. 3.000,000;
 - income from merchandising business Tk. 500,000;
 - capital gain disposing a capital asset after 5 years of purchase Tk. 1,000;000;
 - share of profit in a partnership firm Tk. 500,000
- Net wealth at the end of the income year: Tk. 52 crore
- He has made allowable investment of Tk. 1,500,000.
- He is the owner of 2 motor cars (1500 cc & 1800 cc)
- Advance tax Tk. 35,000. TDS Tk. 100,000 & Tax refund claim Tk. 50,000.
- He is a father of two disable handicapped children.

Income Year: 2023 - 2024
Tk. 1,020,000 136,500 91,900 791,600 277,060 50,000 1,118,660 35,000 100,000 50,000

Bangladesh Income Tax	x liability	On cap. gain	On total Tk.
Workings 1: Computation of gross to	On next Tk.	Tk. 1,000,000	5,550,000
	500 000 300,000	@ 25%	
100.000 400,000	3 15% (a) 20%	150,000	1,020,000
@ 0% @ 370	75,000 100,000	,	
5,000 40,000			

tion of tax rebate on investment

		tax rehate on investment	Tk.	136,500	ı
	Workings 2: Computation of	tax rebate on investment (3% of Tk. 4,550,000) A. 3% of total income* (3% of Tk. 1,500,000)	Tk.	225,000	
		175 ant all [13/001 1	Tk.	1,000,000	
1	Eligible amount of rebate (lesser of A, B, and C)	C. Tk. 1,000,000			
	[i.e., Tk. 136,500]			disabled child	
	[],C., 1 K.	u to a the n	arent Of (iisabied chiid	

Note: (1) Mr. Belal is a resident assessee. His minimum non-assessable income limit as the parent of disabled child Note: (1) Mr. Belal is a resident assessee. His minimum non-assessable income limit as the parent of disabled child $\frac{1}{1000} = \frac{1}{1000} = \frac{1}{10000} = \frac{1}{1000} = \frac{1}$ is Tk. 50.000 more for each child i.e., [530,000 + [30,000 + 2]] = 18, 450,000 (2) since, capital asset is solid after 5 years of acquisition, tax rate on capital gain will be 15%. (3) Rebate on share of firm profit @ average rate. Here, years of acquisition, tax rate of capital gain = 18.38%. So, rebate = (Tk. 500,000 @ 18.38%) = Tk. 91,900 (4) For average rate (1.020,000 = 5.550,000) × 100 = 18.38%. So, rebate = (Tk. 500,000 @ 18.38%) = Tk. 91,900 (4) For higher capacity motor vehicle is Tk. 50,000.



Mr. Tarif, a 75-year-old Bangladeshi citizen, lives in Rajshahi. Calculate his income tax liability for the current assessment year based on the following information:

- Stayed in Bangladesh during the income year: 360 days
- Total Global Income Tk. 1,600,000 [domestic income Tk. 1,300,000 (house property income Tk. 700,000; income from tobacco manufacturing business Tk. 300,000; share of firm profit Tk. 300,000); foreign income Tk. 300,000]
- Net wealth at the end of the income year: Tk. 30 crore
- He has made actual allowable investment of Tk. 400,000.
- Advance tax Tk. 25,000, TDS Tk. 10,000 & Tax refund claim Tk. 5,000.
- He is a gazetted wounded freedom fighter.

Ass	essee: Mr. Tarif	Assessment Year: 2024 – 2025	Income Year: 2023 - 2024
a.	computation and Paymore Gross tax before tax rebat	te (workings 1)	Tk. 225,000 48,000
	Tax rebate: On share of p		42,180 134,820
d. e.	Net tax after tax rebate [a Surcharge for net wealth	(note 2)	40,446 7,500
f. g.	Surcharge on tobacco bu Net tax liability and surc	and the second s	182,766
h. i.	Advance tax Tax deducted or collect		10,000
J. k.	Adjustment of tax refund Amount paid with return		5,000 harris 22,766

Workings 1: Computation of gross tax liability

Working	On first Tk.		On next Tk.		On tobacco income	
	500,000	100,000	400,000	300,000	Tk. 300,000	1,600,000
Rate Tax	@ 0%	@ 5% 5,000	@ 10% 40,000	@ 15% 45,000	@ 45% 135,000	225,000

Workings 2: Computation of tax rebate on investment

Eligible amount of rebate	A 3% of total income (3% of Tk. 1,600,000)	Tk. 48,000 Tk. 60,000 Tk. 10,00,000
---------------------------	--	---

Note: (1) Rebate on share of profit in a partnership firm @ average rate. Here, average rate = (225,000 ÷ 16,00,000) \times 100 = 14.06%. So, rebate on firm profit = (Tk. 300,000 @ 14.06%) = Tk. 42.180 (2) Surcharge for net wealth: 30% surcharge on net tax liability of Tk. 134,820 = Tk. 40,446 (3) 2.5% additional surcharge is applicable on tobacco business income. Thus, surcharge for tobacco business income: 2.5% of Tk. 300,000 = Tk. 7,500



136,500

Mx. Doel, a 40-year-old Bangladeshi third gender citizen, lives in Dhaka. Calculate his tax liability for the current assessment year based on the following information:

- Stayed in Bangladesh during the income year: 365 days
- Total Global Income Tk. 8,75,000 [domestic income Tk. 8,75,000; foreign income - nil]
- Net wealth at the end of the income year: Tk. 50 lac
- Actual allowable investment made during the income year of Tk. 200,000.
- TDS Tk. 10,000.

Assessee: Mx. Doel	Assessment Year: 2024 – 2025	Income Year: 2023 - 2024
Tax computation and Pay	ment	Tk. 35,000
a. Gross tax before tax reb		26,250
 b. Tax rebate (workings 2) 		8,750
c. Net tax after tax rebate	[a-b]	
d. Surcharge for net wealt	h (note)	8,750
e. Net tax liability and sur	charge [c + d]	10,000
f. Tax deducted or collect	at source	(1.250
g. Amount paid with retur	n [e-f] (Refund claim)	(1,230

Workings 1: Computation of	g ross ta . Rate	x liability Taka	Workings 2: Computation of investme A. 3% of TI (3% of Tk. 875,000)	Tk. 26,250
On first Tk. 475,000 On next Tk. 100,000 On next Tk. 300,000 On Tk. 8,75,000 G. Tax Liaba	0% 5% 10%	Nil 5,000 30,000 35,000	B. 15% of Inv (15% of Tk. 200,000) C. 10,00,000 Eligible rebate [lower of A, B, C]	30,000 10,00,000 26,250

Note: No surcharge since his net wealth amount is less than Tk. 4 crore.



Chris Gayle, a cricketer from West Indies, came to Bangladesh for playing in BpL Chris Gayle, a cricketer from West months (March & April) of the income year,

He stayed in Bangladesh for two months (March & Seesement to the stayed in Bangladesh for two months) He stayed in Bangiagesh for the current assessment year based on the Calculate his income tax liability for the current assessment year based on the Stayed in Bangladesh during the income year: 61 days

Income Year: 2023 - 2024

following information:

- Total Global Income Tk. 120,000,000
- Income earned in Bangladesh Tk. 20,000,000; Income earned outside Bangladesh Tk. 100,000,000
- Net wealth at the end of the income year: Tk. 160 crore He has made investment of Tk. 10,00,000 in Bangladesh Stock Market.

	2024 - 2025	Income Year: 2023 - 2024
	Assessment Year: 2024 - 2025	
Assessee: Chris Gayle		. foreigner assessee. So, he will
Since none of the conditions	are fulfilled. Chris Gayle is a non-residen are fulfilled. Chris Gayle is a non-residen are fulfilled. Moreover arred inside Bangladesh @ 30%. Moreover	er, he is also not engine for any
pay tax only for the meeting		

So, the tax liability of Chris Gayle = 30% of Tk. 20,000,000 = Tk. 6,000,000

KEY	POI	NTS
KET	PUI	1410

kind of tax rebates.

_	An assessee has to pay tax on tota	l income earned in the	income year.

- Rate of income tax is determined by the government through the Finance Act,
- ☐ Residential status of an assessee is determined on the basis of his stay in the income year in Bangladesh, not in the assessment year.
- ☐ The tax liability of the total income earned in an income year is computed on the basis of the income tax rates applicable in the assessment year.
- ☐ Generally, income year is the financial year immediately preceding the assessment year; and assessment year is the subsequent year of the income year except some exceptions.
- ☐ Assessee is a person who is liable to pay any sum under the Income Tax Act, 2023 or in respect of whom the proceedings have been initiated under this Act.
- ☐ Determination of residential status has nothing to do with either the citizenship or domicile of a person.
- □ NBR can issue certain circulars (SRO) regarding income tax as and when necessary.
- ☐ A resident and non-resident Bangladeshi assessee get income tax rebate on investment allowance and on tax exempted income from gross tax liability. But, for a non-resident foreigner no tax rebate is applicable.
- ☐ A non-resident assessee (other than Bangladeshi non-resident / foreigner) is liable to tax on his total income @ 30%.

MULTIPLE CHOICE QUESTIONS

in who worked 210

1 In 1 If the assessment year is 2024 – 25, the income year is –

(a) 2020 - 2021 (b) 2023 – 2024 (c) 2022 - 2023

(d) decided by NBR

24 If the assessment year is 2024 - 25 and the assessee maintains his accounting record for the year ending on 30th June 2024 the income year will be ending on -

(a) 31.12.22

(b) 30.06.23

(c) 31.12.23

(d) 30.06.24

3. Assessment year and Income year is same for -

(a) discontinued business

(b) persons leaving Bangladesh

(c) non-resident shipping companies

(d) all of these

4 Which of the following statement is false?

- (a) Residential status may differ from year to year
- (b) Residential status will not depend on the citizenship of the assessee
- (c) Burden of proving the residential status lies with the assessee
- (d) Residential status is always determined by the number of days assessee stayed in the country in the assessment year

5. Which of the following issues can have different effect for a resident and non-resident Bangladeshi assessee?

(a) Determination of total income

(b) Minimum limit of taxable income

(c) Rate of tax

(d) Income tax rebate

Assess the residential status of the following assessee for the current income year.

6. A Bangladeshi was outside Bangladesh from 25th October 2018. He visited Bangladesh during the income year 2023-24 on 6th December and stayed for three and a half months.

(a) Resident

(b) Non - resident Bangladeshi (c) Non - resident foreigner

7. A foreigner visits Bangladesh for a consultancy contract and resides Bangladesh during the period 27th October to 15th February and 8th April to 20th June of the income year 2023-24.

(b) Non - resident Bangladeshi (c) Non - resident foreigner

8. A foreigner visits Bangladesh for 5 months during the income year 2023 - 2024 and also he was in Bangladesh for a full year in the income year 2018 - 2019. (b) Non - resident Bangladeshi (c) Non - resident foreigner

(a) Resident

9. A Bangladeshi was outside BD from 15th September to 1st June of the income year 2023-24.

(a) Resident

(b) Non - resident Bangladeshi (c) Non - resident foreigner

10. A Bangladeshi was outside Bangladesh for 9 months during the income year 2023-24.

(a) Resident

8(A)

(b) Non - resident Bangladeshi (c) Non - resident foreigner

TRUE (T) OR FALSE (F) IDENTIFICATION

1. Residential status will not depend on the citizenship of the assessee.

2. Income year can be same as assessment year.

3. If an individual fails to stay 183 days in the income year, he will be considered as nonresident.

4. Income accrued or arose outside Bangladesh is taxable for a nonresident.

5. Residential status is determined for each income year.



DT DF

DT DF

OT OF

MULTIPLE CHOICE

DQ2.1 Define Income Year and explain how to determine income year under different circumstances stated in Section - 2(13) of the 1173, 2022.

Define Assessment Year and explain under what circumstances assessment year can be same.

State the importance of determining income year and assessment year.

DQ2.4 Define Assessee according to Section – 2(22) of the ITO, 1984. DQ2.4 Define Assessee according to Section 2019. DQ2.5 Classify assessee based on the residential status and explain why this classification is

DQ2.6 Explain the rules to determine the residential status of an individual and also of a company?

"Income tax varies according to the residential status of an assessee" - explain.

Write short note on: ☐ Income Year ☐ Assessment Year ☐ Assessee ☐ Residential status DQ2.7

ANSWERS

5												TRU	E/HA	ALSE
MUL	TIPI	E CI	HOIC	E QU	JEST	IONS		0	10	1	2	3 .	4	. 5
1	2	3	4	5	6		-8		- 2	T	T	F	F	T
<u> </u>	-	d	d	а	b	a	С	a	<u>u</u>			;		

In the case of a business newly set up in a financial year, the period of income year begins with the date of the setting up of the business and ends with the 30th day of June following the date of setting up of such business.

SELF - REVIEW 2.2

Assessee		Period covered in the Income Year		Income Year	Year	
	Nitol Motors	Start	August 01, 2023 June 30, 2024	2023-2024	2024-2025	
	Trust Insurance Ltd.	Start End	March 01, 2023 December 31, 2023	2023-2024	2024-2025	
	Vertex Ltd.	Start	July 01, 2023 May 31, 2024	2023-2024	2023-2024*	

^{*}Based on the exceptions to the general rule of assessment year.

SELF - REVIEW 2.3

Characteristics of residential status:

☐ Residential status may differ from year to year.

☐ Residential status will not depend on the citizenship of the assessee.

Residential Status of Company: A Bangladeshi company or any other company, the control and management of whose affairs are situated wholly in Bangladesh in that year will be considered as resident. If the control and management of a company is situated partly or wholly outside Bangladesh, it will be considered as non-resident.

the standard colles Income, Exemptions, & Allowances

A tax loophole is "something that benefits the other guy. If it benefits you, it is tax reform." - Russell B. Long

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

CLO 3.1 understand the concept of income and its characteristics

CLO 3.2 explain the implications of different classes of income

CLO 3.3 differentiate different class of income CLO 3.4 identify different sources of income

CLO 3.5 list the non-assessable incomes

Mostroso vic. 1 ... griffe anne anter griffe

MB162 (1) 10 11 11 11

CLO 3.6 list the allowable investments

CLO 3.7 clarify tax holiday schemes CLO 3.8 recognize tax rebate on CSR activities

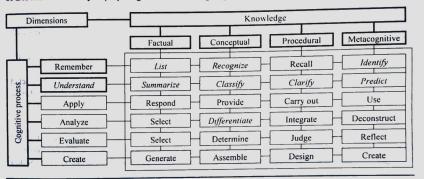
KEY TERMS

report on march out, with other points

Income, Global Income, Domestic income, Foreign Income, Tax Credit Income, Tax Free Income, Assessable Income, Non-Assessable Income, Tax Rebate, Tax Holiday

Bloom's Taxonomy

This chapter covers (italic) the entire knowledge dimension and the first two levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



3.1 3.1

12 12 1

A self-creation of any person;

purchage.

A foreclosure against a lien or mortgage;

The concept of income is central to the Income Tax Act (ITA) as it is the income that The concept of income is central to defined as income is taxable unless specifically is taxed. Anything, which can be defined as income is taxable unless specifically is taxed. Anything, which can be exempted from tax. According to the Oxford Dictionary, the term "income" means exempted from tax. According to the periodical, especially annual receipt from one's work, lands, investments. It includes periodical, especially annual receives either as a reward for effort (e.g., salary any sum that a person or organization receives either as a reward for effort (e.g., salary any sum that a person of or as a return on investments (e.g., rents or interests). On the other or trading profit) or as a return on investments (e.g., rents or interests). hand, a receipt that cannot be termed as income cannot be assessed. The term income has not clearly been defined in the ITA, 2023, rather what to be included or not under the income heads has been explained. Section 2(13) of the ITA, 2023, states "income" a derived chargeable

inc	lude - any income, receipts, profits or gains, from whatever source derives, of any income, receipts, profits or gains, from whatever source derives, of	8 - 40 10
	any income, receipts, position of this Act; to tax under any provision of this Act; any amount which is subject to collection or deduction of tax at source any amount which is subject to collection or deduction of tax at source	under any
	provision of this Act;	160 8
	any loss of such income, profits of gains, the profits and gains of any business of insurance carried on by a mutual the profits and gains of any business of insurance carried on by a mutual association computed in accordance with paragraph 8 of the Fourth Sche association computed in accordance with paragraph 8 of the Fourth Sche	edule;
	any sum deemed to be income, or any income acctuance and summer any provision deemed to accrue or arise or be received in Bangladesh under any provision deemed to accrue or arise or be received in Bangladesh under any provision deemed to accrue or arise or be received in Bangladesh under any provision deemed to be income, or any income acctuance and the provision deemed to be income, or any income acctuance and the provision deemed to be income, or any income acctuance and the provision deemed to accrue or arise or be received in Bangladesh under any provision deemed to accrue or arise or be received in Bangladesh under any provision deemed to accrue or arise or be received in Bangladesh under any provision deemed to accrue or arise or be received in Bangladesh under any provision deemed to accrue or arise or be received in Bangladesh under any provision deemed to accrue or arise or be received in Bangladesh under any provision deemed to accrue or arise or be received in Bangladesh under any provision deemed to accrue or arise or be received in Bangladesh under any provision deemed to accrue or arise or account and account account and account and account and account account and account account and account account and account account account account and account account account account and account accou	on of this
	Act;	COD
	The acquisition of any property which is not	
	Natural:	2 C. 13

Definitions of income as per various court decisions

Acquired by inheritance, will, bequest or trust; acquired in exchange or

- "Income is what comes in from outside. No man can make a profit by dealing with himself' - [CIT vs. Hind Construction Ltd. (1972) 83 I.T.R 211 (S.C)]
- "Income includes every kind of receipts or gain" [CIT vs. Navin Chandra Mafatlal (1954), 26 I.T.R. 758 (S.C)]
- "Essentially the concepts of income indicate something which goes into the pocket of the assessee and not what saves in its pocket" - [Bhagwan Das Jain vs. Union of India (1981), 5 taxman 7 (S.C)]

The definition given above is an inclusive definition and not exhaustive. It is not expressing the exact definition. It has got a legal concept. Income in this Act connotes a periodical monetary return "coming in" with some sort of regularity or expected regularity, from definite sources after deducting allowable expenses.

CLO Li " of

3.1 to 9111110

the openditure

CHARACTERISTICS OF INCOME

The term 'income' is difficult to define and therefore a lot of litigation has taken place
all over the world to sort out difference of opinion in this regard. Considering th
findaments we can find the following salient features of income:

- Periodical return: The term 'income' under the ITA, 2023, refers to a periodical monetary return coming in with some sort of expectation and definite sources. 18, 5111111
 - ☐ Received from third party: Income must come from outside. Pocket money received by a student from his father is not income. [CIT vs. Hind Construction Ltd., 19721
 - Definite source: It arises from or out of a source, like work by way of employment or profession or vocation or investment in business assets or government securities or shares, debentures etc., or the land or things erected on or connected with land. Revenue receipts. Income is one kind of revenue receipts which is essentially the
 - product of capital. [CIT vs. Shaw Wallence & Co., 1932] Tainted with illegality: Legality is not an important factor to consider an item as income. Legal or illegal both incomes may be charged for tax.
 - Income in kind: Income may be received either in cash or in kind or in the form of perquisites which can be measured in terms of money. [CIT vs. Kameshwar Singh] ☐ Received or accrued: Income must be earned but may have already been received or not. Income earned but receivable will also be considered as income. [Trinidad Lake Asphalt Operating Co. vs. CIT]
 - ☐ Real: Income means real income not fictitious income. [CIT vs. B. M. Kharwar]

CLO 3.1

CAPITAL AND REVENUE RECEIPTS AND EXPENDITURES

The distinction between capital and revenue is important for the purpose of income tax. It is the revenue receipt and not capital, that is put to tax. The only exception being is the capital gains. In the same way, only revenue expenditure is allowed to be deducted while calculating income whereas amount spent to acquire capital assets is ignored altogether. The concept of capital and revenue should be discussed with regard to receipts, expenditure and losses.

Receipts are of two types - revenue or capital. Revenue receipts arise on account of sale of goods and services in business. This is a regular flow of receipts. On the other hand, capital receipts are those receipts which are received on selling of capital assets, e.g., sale proceeds of residential house. Similarly, expenditure can also be classified as revenue or capital. Expenses incurred in day-to-day running of business are known as revenue expenditure, e.g., salary, wages etc. But amount spent on acquiring of capital assets is termed as capital expenditure. Such as, purchase of Plant & Machineries. Losses do occur in business: some are allowable deduction from business income in computing taxable income, while some of them are not. Although the distinction between capital and revenue can be fairly recognized and easily applied, there is no clear guideline in the ITA, 2023 about such distinctions. Based on accounting principles, economic considerations, and judicial remarks we can distinguish them.

Various tests have been evolved for distinguishing between capital and revenue receipts and expenditure, but no test is paramount or conclusive. There is no all-embracing formula that provide a ready solution to the problem; no touchstone has been devised. Every case has to be decided on its own facts, keeping in mind the broad picture of the whole operation in respect of which the income has been receipt and the expenditure has been incurred [CIT vs. Karanpura Development Com. (1983) 144 ITR 538].

Distinguishing Tests of Revenue and Capital Receipts

Following tests can be applied in distinguishing capital and revenue receipts:

- ☐ Fixed and Circulating: A receipt on account of fixed capital is a capital receipt, And a receipt against circulating capital is a revenue receipt, therefore, taxable. ☐ Sources of compensation: Compensation received for the immobilization, sterilization or destruction of a capital asset is capital receipt. Compensation
- received for harmful effect of a trading asset is a revenue income and liable to tax. ☐ Motive of seller in case of isolated transactions: For an isolated transaction of purchase and sale of property, seller's motive is a deciding factor in determining the nature of the receipt. Where assets are held as investment, receipt from sale of such assets will be considered as capital receipt. Whereas receipt from the sale of an asset who holds them for trade or resale, will be considered as revenue receipt.
- ☐ Surrender of rights: Any amount received for surrender of certain rights under an agreement is a capital receipt. On the other hand, any amount received by way of compensation for loss of future profits is termed as revenue receipt.
- ☐ Nature of receipt: The nature of receipts in the hand of the receiver, not the nature of payment, will determine a receipt is either capital or revenue in nature. Such as, if in a newly established business, the owner pays salary, bonus, and wages out of the capital, it will be treated as revenue receipt for the receiver and will be taxable.
- ☐ Periodicity of receipt: Generally capital receipts are received on a lump sum basis. However, receipt in lump sum or periodical does not determine receipts as revenue or capital nature. Salary is a revenue receipt even if it is received once in a year or periodically every month. But, if the sale proceed of a capital asset is received on an installment basis, will be considered as capital receipt.

Examples of Revenue and Capital Receipts

Capital Receipts

- · Sale of Capital assets like Land, Machine, Furniture etc. of a business.
- Compensation received for the termination of job e.g., Golden Handshake.
- Royalty received for transfer of capital
- Insurance claim received for loss caused by fire to a capital asset.
- Any receipt to meet capital expenditure.

Revenue Receipts

- · Receipt of annual royalty from user of rights,
- · Compensation received for loss of goods in transit.
- · Sale of marketable securities which was purchased to resale.
- Proceeds from sale of forest trees.

Distinguishing Tests of Revenue and Capital Expenditures

Unlike receipts, following tests are important in determining whether a particular expenditure is capital expenditure or revenue expenditure in nature:

- □ Nature of goods purchased: Amount spent on acquiring or purchasing or installing a capital asset will be considered as capital expenditure. Whereas, if it is paid to acquire purchase of goods for resale, will be considered as revenue expenditure.
- □ Nature of liability: Payment made by the assessee to free himself from a liability of capital nature will be treated as capital expenditure. Whereas any payment made by the assessee to discharge himself from the recurring liability will be considered as revenue expenditure. Such as, Compensation paid to a contractor for premature termination of contract pertaining to construction of a factory building will be capital expenditure, but compensation paid to an employee for the termination of his service (e.g., golden handshake) is an example of revenue expenditure.
- Acquiring a source of income: Any amount paid for the acquisition of a source of income shall be of capital expenditure in nature. On the other hand, the payment made for earning of certain income shall be revenue expenditure. For example, any payment made for buying a coal mine will be capitalized whereas payment made to procure coals from mine will be revenue in nature.
- Improvement, Development or Replacement of an asset: If the amount is paid to increase the efficiency and capacity of the business assets, or replace an existing business asset, will be a capital expenditure. But when certain payments are made just to maintain the existing efficiency of an asset, they are revenue expenditure. For example, payment made to install a generator will be a capital expenditure, but annual repair and maintenance cost for the generator is revenue expenditure.
- ☐ Earning profits or producing profits: A payment made in consideration of the acquisition of rights and opportunity to earn profits is a capital expenditure. But the expenditure incurred to conduct the business activities with a view to earning profit will be revenue expenditure. For example, to purchase the license of Cellular Phone Operation for 10 years is a capital expenditure. But annual royalty expense is an example of revenue expenditure.

Examples of Revenue and Capital Expenditures

Capital Expenditures

Sum paid to acquire a capital asset.

COME

- · Cost of reconstructing and refurnishing business premises.
- Payment for the purchase of mining rights.
- Expenses paid in connection with purchase of fixed assets e.g., legal exp. for land
- · Payment for the acquisition or purchase of the goodwill of any business.

Revenue Expenditures

- · Payment of commission to the sales agents.
- Annual license fee.
- Repair expense and maintenance cost of machineries.
- Regular expenditure incurred on advertisement, salary, rent and other operating expenses

CLO

A loss is different from the concept of expenditure. Against loss there is no return or benefit has been received. This is also known as the excess of expenses over revenues benefit has occurred to the desired benefit has occurred by the second of a business. A business loss is allowable if it is of non-capital in an accounting period of a business. nature and is not only connected with the trade but also is incidental to the trade itself nature and is not only Control Spig. & Wvg. Mills (1980) 123 ITR 911]. In assessing the taxable profits of a year account must necessarily be taken of all losses incurred besides the expenditure allowable under various provisions of the ITA, 2023.

SCOPE OF TOTAL INCOME & TOTAL WORLD INCOME

According to the provisions stated in the ITA, 2023, the scope of total income varies by the residential status of an assessee. Total income is computed following provisions of this ordinance. Total income of a resident assessee includes [Section 26]: Income received or deemed to be received in Bangladesh;

Income accrues or arises or deemed to accrue or arise in Bangladesh;

☐ Income received or deemed to be received outside Bangladesh;

Income accrues or arises outside Bangladesh.

But for a non-resident, only the income received or deemed to be received and income accrues or arises or deemed to accrue or arise in Bangladesh are to be included in the total income. These incomes are classified and computed based on following seven sources [Sec 30]:

☐ Capital Gain ☐ Income from Employment

☐ Income from Financial Assets ☐ Income from Rent

Income from other sources ☐ Agricultural income

☐ Income from Business

But in "Specimen Form of Return of Income under the ITA, 2023" total 10 heads of income have been mentioned. Among those the additional heads are Share of profit in a firm as applicable w/s 31(1), Income of the spouse or minor child as applicable w/s 31(1) and foreign income. While computing the income under the above heads, provisions regarding set-off and carry-forward, clubbing of incomes, exemptions and allowable deductions have to be considered.



Identify few characteristics of income and explain nature of the following transactions. (a) compensation received for golden handshake and compensation received for goods lost in transit

(b) purchase of furniture for use and for resale purpose.

Total World Income

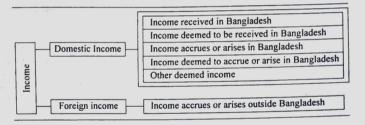
The term "Total World Income" is relevant for a non-resident only, whose income includes, the income received or deemed to be received and income accrues or arises or deemed to accrue or arise in Bangladesh. To determine the total world income, income accrues or arises outside Bangladesh is also to be added with the total income of a non-resident. Total world income is calculated to determine the rate at which a non-resident is chargeable on his income earned in Bangladesh i.e., taxable country. The non-resident assessee pays tax on income earned in Bangladesh at the rate applicable to his total world income.

3.2

anita: 1

CLASSIFICATION OF INCOME - BASED ON LOCALITY

The income which is earned by an assessee within the boundary of the taxable territory i.e., Bangladesh, can be termed as "Domestic Income" and if it is earned from outside the taxable territory i.e., other countries of the world, it is "Foreign Income". Based on the residential status, an assessee can be a resident or a non-resident. The total income of a resident is the sum of his domestic income and foreign income. But in case of a non-resident, total income will include only his domestic income. The classification can be presented as it is in the following diagram:



Domestic Income

All the incomes received, deemed to be received, accrues, or arises, deemed to accrue, or arise in Bangladesh are considered domestic income. They are as follows:

Income received in Bangladesh

These are the incomes earned and received either by the assessee or his agent in Bangladesh in an income year. Income received in Bangladesh during the income year is taxable in the hands of all assessees i.e., both residents and non-residents. It is only the first receipt either by the assessee or his agent. For example, income received from salary in India for a job in India and subsequently remitted to Bangladesh will be considered as foreign income since it was the subsequent receipt, not the first receipt. Income may either be received in cash or in kind.

Income deemed to be received in Bangladesh

These are the incomes which are not actually received by the assessee, but the law treats them as income received for income tax purposes. This is treated at par with income received. Such incomes as are deemed to be received in Bangladesh are as follows:

- ☐ Any dividend declared or distributed by a company within the meaning of section 62(1)(d) shall be deemed to be the income of the income year in which it is received and shall be included in the total income of the assessee of that year.
- ☐ Where an employee is a member of a recognized provident fund, the annual accretions during the income year to his account under the provident fund scheme Aggregate contribution more than one-third of his salary for that year.

 - Interest credited on the accumulated balance of an employee more than onethird of the salary of the employee and is allowed at a 14.5% rate.

is deemed to have been received by the employee in that income year and is taxable.

☐ Balance transferred to a newly Recognized Provident Fund from a previously Unrecognized Provident Fund as per Para 8(4). Section C, Second Schedule of the ITA, 2023.

Income accrues or arises in Bangladesh: Income is said to "accrue" when an enforceable right to receive it comes to vest with the assessee i.e., when it is earned by the assessee. It may be seen to convey the same meaning by the term "accrue" and "arise" which indicate a right to receive, but in reality, it is not so. The word "accrue" or "arise" differ only as to the point of time of recognition of income in the books of accounts. Income accrues when it first comes into existence, it arises when the method of accounting shows it. Thus, there may arise a situation when income may accrue in one year, arise in the next year and may be received in the third year. Income earned in Bangladesh is considered as income accruing or arising in Bangladesh. Regarding this, the following general principles and guidelines are to be followed:

Income from:	Guidelines to be accrued or arisen in Bangladesh
Employment	 The employee has to serve in Bangladesh.
Rent	 The properties must be situated in Bangladesh
Agriculture	 Agricultural land or properties must be situated in Bangladesh
Business	 The entire activities of the business must be held in Bangladesh.
Capital Gain	 Relevant capital asset or properties must be situated in Bangladesh.
Financial Assets	 Relevant financial assets must be issued or held in Bangladesh
Other sources	 The sources must be from Bangladesh

Income deemed to accrue or arise in Bangladesh

According to section 27 of the ITA, 2023, following incomes shall be deemed to accrue or arise in Bangladesh, namely -

☐ any income which falls under the head "Salaries", wherever paid if —

it is earned in Bangladesh; or

it is paid by the Government or a local authority in Bangladesh to a citizen of Bangladesh in the service of such Government or authority;

any income accruing or arising, whether directly or indirectly, through or from -

any permanent establishment in Bangladesh;

- any intangible asset/property, asset, right or other source of income in Bangladesh;
- transfer of assets in Bangladesh;
- sale of goods or services to any customer in Bangladesh through electronic/online media: or
- any in intangible asset used in Bangladesh;
- any property, asset, right or other source of income in Bangladesh; or
- transfer of capital assets in Bangladesh:

Provided that, in the case of a business, all the operations of which are not carried out in Bangladesh, only such part of the income attributable to the operation carried out in Bangladesh shall be deemed to accrue or arise in Bangladesh.

☐ Shares of resident companies in Bangladesh, whoever owns it from anywhere of the world, shall be considered as assets in Bangladesh;

Any intangible asset shall be considered as assets in Bangladesh, if

(a) it is registered in Bangladesh; or

(b) in case of such asset owned by a non-resident, if such asset is related to any permanent establishment of the same person in Bangladesh;

☐ Where the shares of any non-resident company is transferred, wherever the transfer takes place, proportional transfer value associated to the transfer of assets in Bangladesh shall be considered as the transfer of assets in Bangladesh;

any dividend paid outside Bangladesh by a Bangladeshi company;

any income by way of interest payable -

• by the Bangladesh Government; or

by a person who is a resident, except where the interest is payable in respect of any debt incurred, or moneys borrowed and used, for the purposes of a business or profession carried on by such person outside Bangladesh or for the purpose of making any income from any source outside Bangladesh; or

by a person who is a non-resident where the interest is in respect of any debt incurred, or moneys borrowed and used for the purposes of a business or profession carried on by such person in Bangladesh or for the purposes of making or earning any income from any source in Bangladesh;

any income by way of fees for technical services payable -

by the Bangladesh Government; or

by a person who is a resident, except where such fees are payable in respect of services utilized in a business carried on by any such person outside Bangladesh or for the purposes of making or earning any income from any source outside Bangladesh; or

• by a person who is non-resident where such fees are payable in respect of by a person will be a business carried on by such person in Bangladesh or for services utilized in a business carried on by such person in Bangladesh or for services utilized in the purposes of making or earning any income from any source in Bangladesh, the purposes of making or earning any income from any source in Bangladesh, any income by way of royalty payable (either/or) -

- by the Bangladesh Government;
- by a person who is a resident, except where the royalty is payable in respect by a person who is a continuous or services utilized for the purposes of any right, property or information used or services utilized for the purposes of a business or profession carried on by such person outside Bangladesh or for the purposes of earning any income from any source outside Bangladesh by a person who is a non-resident where the royalty is payable in respect of
- any right, property or information used or services utilized for the purposes of a business or profession carried on by such person in Bangladesh or for the purposes of making or earning any income from any source in Bangladesh.

Other deemed income

According to several provisions of the ITA 2023, certain unexplained cash credits, investments, and expenditures including possession of money, bullion, jewellery etc. with an assessee shall be deemed to be his income for that income year, and to be included in his total income classifiable under relevant heads e.g. Income from Other Sources (Section 67); Income from Business (Section 45); Income from Financial Assets (Section 62); Income from Agriculture (Section 41) etc.

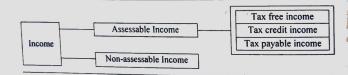
Foreign Income

According to section 26(b, d) of the ITA, 2023 all those incomes which accrue or arise or received outside Bangladesh is included under the head "Foreign Income". In case of resident, it is included in his total income and in case of non-resident it is excluded

3.2 3.3

CLASSIFICATION OF INCOME - BASED ON ASSESSMENT

As it has been seen earlier, no clear definition has been given in the ITA, 2023; rather what to be included and not to be included under the head income has been explained. According to the provisions of the ITA, 2023, and based on chargeability of tax we can classify income in the following way:



Non-assessable Income

Those income which are not included in the computation of total income of an assessee, are non-assessable income. A list of such income is given under Section 77, in Part 1 THE STATE Of the Sixth Schedule of the ITA, 2023. According to Section 76(1), the government, by notification in the Official Gazettee, can make necessary inclusion or exclusion of incomes in the list considered to be non-assessable. For example, Pension; Gratuity etc. are examples of non-assessable incomes.

Assessable Income

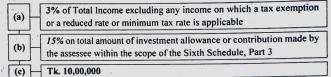
Mills Commenter

Assessable incomes are those incomes, which are included in the determination of the total income of an assessee. For example, receipt of Tk. 20,000 as salary is assessable and hence included under total income. The total of assessable incomes from various sources is known as total income of an assessee. Assessable incomes can again be classified into: Tax-free income, Tax credit income, and Tax payable income.

☐ Tax-free income: Tax-free incomes are those incomes, which are included in the determination of the total income of an assessee for computing total income. However, tax relief or rebate is allowed on average rate on such income. According to Section 80 of the ITA, 2023, income from the following two sources is considered as tax-free income as tax rebate is allowed on such income at an average rate. They are, Share of profit in a firm if tax has already been paid by the firm, income from Association of Persons on which tax has already been paid by the association. Average tax rate and rebate on tax free income is calculated as:

Average tax rate = Total tax ÷ Total income × 100 Rebate on tax free income = (Total tax-free income × average tax rate) or Rebate on tax free income = (Total tax ÷ Total income) × Total tax-free income

☐ Tax credit income: Those incomes, which are included in the determination of the total income of an assessee for computing total income and increasing applicable tax rates. This is also known as investment allowance for tax rebate. As per section 78, tax rebate is allowed of an amount equal to the lower of (a), (b), and (c):



Some examples like purchase of listed company's share, government securities, savings certificate etc. will be considered as investment allowance.

☐ Tax payable income: This is that part of total income for which the taxpayer actually pays tax. The amount is equal to the excess of assessable income over tax free and tax credit income. For example, an assessee's total income is Tk. 580,000 of which income from firm Tk. 20,000 and tax credit income / as investment allowance for tax rebate Tk. 30,000. In this case, tax payable income will be [580,000 - 20,000 - 30,000] = Tk. 530,000.

3.8 CLO 3.2 3.3

EFFECTS OF INCOME CLASSIFICATION ON ASSESSMENT Income classification has a significant role on the determination of total taxable income

Income crassification has a significant to liability. The effects of classification are: investment allowance, tax rate and tax liability. Non-assessable income: As non-assessable income is not included in the computation

Non-assessable income: As non-assessable income and the tax liability. If an assesse's of total income, it reduces total taxable income and the tax liability. of total income, it reduces total taskers annual total income is less than the minimum (other than company & local authority) annual total income is less than the minimum (other than company & local authority) annual selderly citizens who are more than 65 taxable limit i.e., Tk. 350,000 (for women & elderly citizens who are more than 65 taxable limit i.e., TK. 330,000 (for 3rd gender & disable person Tk. 475,000 and for gazetted years old Tk. 400,000; for 3rd gender & disable person Tk. 475,000 and for gazetted years old 18, 400,000; for 510 gender 2, wounded freedom fighters Tk, 500,000), he/she is not liable to pay tax on his income,

Assessable income: Assessable incomes are those incomes, which are included in the Assessance income. Assessance and an assessee. If an assesse's (other than company determination of the total income of an assessee. & local authority) annual total income exceeds the minimum taxable limit, he/she is liable to pay tax on his income at applicable rates. Categories of this income are:

- Tax-free income. These types of income are included in total income, but tax rebate is granted on these incomes at an average rate. As these items increase the amount of taxable income and initial tax liability is computed using maximum rates which are more than the average tax rate, it increases the actual tax burden of the assessee. ☐ Tax credit income/Investment allowance: An assessee is eligible to receive tax
- rebate @ specified rate under Section 78. ☐ Tax payable income: This is the amount ultimately for which an assessee pays the
- tax. This amount helps to determine the tax payable amount of the assessee.

Following table shows the effects of income classification on assessment:

Following table 3	Total Income	Tax Liability/Tax Rate	
Non-assessable	Not included	decreases Increase	
Assessable	Included Included	Increase the tax liability &	
 Tax-free 	increases total income	allows rebate at an average rate Decrease tax through rebate.	
Tax creditTax payable	Increases total income Included	Actual tax liability depends on it	

Distinction between Non-assessable Income and Tax credit Income

Distinctions between Non-assessable Income and Tax-credit Income are as follows:

	Non-assessable		Tax Credit Income
Effect on total income	Not included	H	Included in total income
_	Not allowed	H	Allowed @ specified u/s 78, as
			the case may be.
Effect on tax liability -	Do not increase	\vdash	Increases tax liability
Impact on tax rate —	No effect	1	Increases the overall tax rate
		_	

Distinction between Non-assessable Income and Tax-free Income

Distinctions between Non-assessable Income and Tax-free Income are depicted below:

7.7	Non-assessable		Tax Free Income
Effect on total income —	Not included		Included in total income
Tax rebate ——	Not allowed		Allowed @ average rate
Effect on tax liability ——	Do not increase		Increases tax liability
Impact on tax rate	No effect		Increases the overall tax rate
Impact on tax limit ———		1-1	Influence tax limit

Distinction between Exemption and Deduction

If an income is exempted from tax, it is not included in the computation of income. Exemption can never exceed the amount of income. Deduction is generally given from income chargeable to tax. Deduction can be less than or equal to or more than amount of income. If amount deductible is more than the amount of income, the resulting amount will be taken as loss.

But Wille

CLO

SOURCES/HEADS OF INCOME

Total income of an assessee is classified and computed based on the following 7 sources/heads under section 30:

- ☐ Income from Employment [Section 32]: Generally, it means periodical payment made for work to an employee from an employer for the services rendered to him. According to section 32(1) of the ITA, 2023, Salary includes:
 - any receipt or receivable amount, salaries or benefits from the employer;
 - any income earned from Employee Share Scheme;
 - Accrued salary on which no tax has been imposed;
 - amount or benefits received from any past or future employee.
- ☐ Rental Income [Section 35-36]: The owner of house property, legal or beneficial, is liable to pay tax under this section. In this regard, income must come from the house property and its adjacent premises which is not used for the purpose of business or profession or for personal purpose.
- Agricultural Income [Section 40]: "agricultural income" means any income derived from any agricultural activities that includes horticulture, animal & birds farming, natural use of land, poultry & fisheries farm, reptile nature animal's farm, nursery, any kind of cultivation in land/water, egg & milk production, production of timber & grass, production of fruits, flowers, & honey; production of seeds:
- ☐ Income from Business [Section 45]: Income from business is also included in total income. According to section 2(70), "business" includes any trade, commerce or manufacture or any adventure or concern in the nature of trade, commerce or manufacture; or exchange of goods and services by any profitable or non-profitable It wishes to be the continuous mentity; or any profession or annuity. The scope of business income is explained in section 45.

0	payable by an assessee under the head "Capital Gains" in respect of any profits and gains arising from the transfer of a capital asset and such profits and gains shall be deemed to be the income of the income year in which the transfer took place. Income from Financial Assets [Section 62]: An assessee may invest his fund in various types of securities like both government and commercial securities, bank deposits & schemes, shares etc. The interest and dividends received from those securities will be taxable according to the ITA, 2023. According to section 62 of ITA, 2023, the following incomes of an assessee shall be classified and computed to the place of th
	interest, profit, or discount receivable by the assessee on any security of the
	issued by or on behalf of a local custories are
	interest receivable from deposits and schemes from banks and financial institutions; dividends
_	
	Income from Other Sources [Section 66]: The incomes other than from salary, house property, agricultural income, business, capital gains, and financial assets will be included under this head. In case such income does not fit in anywhere under the first six heads, it will be considered under the head "Income from Other Sources".
But giv	t according to the "Specimen Form of Return of Income" total 10 heads have been en. Among those the additional heads are Share of profit in a firm, Income of the
	Share of profit in a firm/Association of Persons: If an assesses is
	Income of the spouse or minor child: According to section 31, income of the spouse or minor child is to be included in the total income, provided that the spouse or minor child doesn't submit separate return.
	Foreign income: According to section 26(a), all those incomes which accrue or arise outside Bangladesh is included under the head "Foreign Income". In case of resident, it is included in his total income and in case of non-resident it is excluded.
-	ACIIAL AND MONEY

3.10 CASUAL AND NON-RECURRING INCOME

The word "Casual" means "subject to or produced by chance; accidental; fortuitous; coming at uncertain times; not to be calculated on; unsettled". The term "Non-recurring" does not mean that the receipt should happen only once and be isolated one and it should not happen again at all. Rather it means there is no right for recipient to expect its recurrence. Although casual and non-recurring incomes are not regular source of income, some casual and non-recurring incomes are considered as taxable. In this regard, we can consider the following definitions:

blike liv men	Chapter - 3 Income, Exemptions, & Allowances received. Such as, Income from lottery, crossword competition, betting etc.
of the steel it is	Chapter - 3 Income, Exemptions, & Allowances received. Such as, Income from lottery, crossword competition, betting etc. Cherally, voluntary pages.
mov and the	received. Such as, Income from lottery, crossword competition, betting etc. Non-recurring income. These are the incomes which arise at an irregular interval. These are the incomes which arise at an irregular interval. The examples of casual and recomes the such as the such arise at an irregular interval.
0100 ml F2 onl	Non-recurring income from lottery cross about these incomes to
G	These are the income competition, betting
-	enerally, voluntary and incomes which arise at an irregular
30	ille evans sold interval
rec	THE IDCOM. THE HOLD TRANSPORT OF TRANSPORT
U	It is a sudden a sudden a sudden and substitution of the substitut
U	It is not - and the asset should be there.
	It is not a capital gain as per Section 57. It is not a capital gain as per Section 57. It is not a capital gain as per Section 57.
	It is not acapital gain as per Section 57. It is not earned from business as per Section 45. It is not perquisite in addition to salary.
9.70 . 11.9 . ,	It is not earned from business as per Section 57. It is not perquisite in addition to salary.
Ex	Income from Lottery, Cross-word and horse-race as
	Income 6 Assessable Casual and No.
Mark Com	Income from Lottery. Cross-word and horse-race competition. Reward from the
1.112	Reward c. Reward c. Reverse competition.
Ď	Honorarium received as middleman to settle a dispute. Reward from the employer for extra-ordinary sets.
D.	Basic of goods through austinary effort.
	Remuneration of Professional actors, players, dancers, musicians, singers etc. Tips of Hotel Stewards
П	Tipe a critical straight of the climaters, musicians, singers etc.
-	
Fr	maint and a second seco
	Gift received on in Birthday or Marriage anniversary. Gift against affection or love.
i i i	Giff received on in Birthday or Marriago and
	Gift against affection or love.
Π-	Gift against affection or love. Receipt of money taken from the streets with no claim.
n de de	Gift Check.
- AD	
	N. ACCTOO

3.11 NON-ASSESSABLE/TAX-EXEMPTED INCOMES Certain incomes are totally exempt from

Certain incomes are totally exempt from tax. Incomes specified in Part 1 of the Sixth Schedule of the Income Tax Act, 2023 are exempt and excluded from the computation of total income subject to the limits, conditions and qualifications mentioned therein. Besides these specified items of income, the government may make any exemption, reduction in rate or other modifications in respect of tax in favor of any class of income or in regard to the whole or any part or the income of any class of persons through issuing SRO [section 76 (1), (2)]. The Board may cancel any such exemption by issuing SRO and no retrospective exemption will be applicable under this law [sec. 76 (3), (4)].

Notwithstanding anything contained in clause Part VI or any other section of ITA 2023, the income of a person for the relevant income year shall not be (i) exempted from tax; or (ii) be subject to reduced rate of tax; in an assessment year if the person fails to – (a) submit the return of income within tax day; or (b) submit the return fulfilling the conditions of section 166 and 171; or comply with the provisions of tax duction and

3.2

3.5

CLO 3.2

collection at source, its deposit or submission of relevant return and Part VII; or (d) collection at source, its deposit or submission of receives through bank transfer. It is receive all receipts and income from the exempted sources through bank transfer. It is Bangladesh Income Tax - Theory and Practice receive all receipts and income from the exemples sould where the receipt is from provided that this provision will not be applicable where the receipt is from the said in the provision will not be applicable where the receipt is from the said in the provision will not more than TK. I crore in the said in the provision will not more than TK. provided that this provision will not be applicable. I crore in the said income "agricultural income" and total receipt is not more than TK. I crore in the said income

Any disallowance of expenditure under section 55, in calculating the income of a source Any disallowance of expenditure unuer section 33, and a reduced rate of tax, shall be or of a person that is exempted from tax or is subject to a reduced rate of tax, shall be or of a person that is exempted from tax of 13 300, as the case may be, and tax shall be treated as income for that source or of that person, as the case may be, and tax shall be payable on such income at the regular rate [section 76(6)]. Incomes specified in Part 1 payable on such income at the regular rate 1 and 1 are exempt and excluded from the of the Sixth Schedule of the Income Tax Act, 2023 are exempt and excluded from the of the Sixth Schedule of the mediate that the computation of the sources of computation of total income, but will be included in the computation of the sources of computation or total income, our will be fulfillment of conditions under Sec77(1), fund of the relevant income year subject to the fulfillment of conditions under Sec77(1).

List of Non - assessable/Tax - exempted Incomes [6th Schedule, Part 1]

Followings are exempted from tax as per Part I of the Sixth Schedule of the ITA, 2023: ☐ Income of employees of tax-exempt organizations under Treaty [Para 1]: Income of any inter-government organization or international organization or employees

of such organizations, where the exemption has been imposed based on any law passes in the parliament or any treaty signed by the government.

Income of employees of Foreign Missions [Para 2]: Any income received by -

- Ambassadors, High commissioners, envoys, ministers, charge de affairs, commissioners, counselors, consul de carriere, secretaries, advisors or attaché of an embassy, high commission, legation or commission of a foreign State, as remuneration from such State for service in such capacity.
- Trade commissioners or other official representatives in Bangladesh of a foreign state (not holding office as such in an honorary capacity) as his official salary, if the official salary of the corresponding officials, if any, of the Government, resident for similar purposes in the country concerned, enjoya similar exemption in that country.
- by a member of the staff of any of the officials referred to in clauses (a) and (b), as his official salary, when such member is not a citizen of Bangladesh and is either a subject of the country represented or a subject of some other Foreign State and is not engaged in any business or profession or employment in Bangladesh otherwise than as a member of such staff, and the country represented has made corresponding provisions for similar exemptions in the case of members of the staff of the corresponding officials of the Government of the People's Republic of Bangladesh in that country.
- ☐ The receipt of a government / Local government [Para 3]: Any donation, tax, rates and duty received by the government/local government.
- ☐ Pension [Para 4]: Any pension due to or received by an assessee from the Government pension fund. 2011/1005

Gratuity [Para 5]: Any income up to taka two crore fift	ty lakh	received	by	2
assessee as gratuity from the government gratuity fund.				

☐ Any payment received from Provident and other funds [Para 6]: For provident fund, approved superannuation fund, pension fund, approved gratuity fund:

receipt of contribution from employees and employers.

anoused li

A1 10 1

ad in h

desumment o.

m. to the same in the

holf of the hole

Payment to the beneficiaries from such funds where it has been taxed by the fund

It is provided that the contribution received by the assessee from the approved gratuity fund shall not exceed Tk. 2.5 crore.

- ☐ Income of provident funds [Para 7]: Any income accruing to/derived by a provident fund established under the Provident Fund Act, 1925.
- ☐ Payment received on Voluntary retirement [Para 8]: Amount received by an employee of a government organization, a local authority, an autonomous or semiautonomous body including the units or enterprises controlled by it, on a voluntary retirement scheme approved by the government.
- \square Interest on pensioners' savings certificate [Para 9]: Any sum or aggregate of sums received as interest from pensioners' savings certificate where the total accumulated investment at the end of the relevant income year in such certificate does not exceed Tk. 500,000.
- ☐ Income of some entities approved by the BSEC [Para 10]: Any income of the following entities, approved by the Bangladesh Securities and Exchange Commisssion: Mutual Fund, Alternative Investment Fund, Real Estate Investment Trust; Exchange Traded Fund.
- ☐ Income from house property held under trust or other legal obligation wholly used for religious or charitable purposes [Para 11]: Any income derived from house property held under trust or other legal obligation (except the case of a NGO, registered with NGO Affairs Bureau) wholly for religious or charitable purposes, if such income is applied-
 - wholly for religious or charitable purposes in Bangladesh during the income
 - is not used for religious or charitable purposes, but is accumulated or finally set apart, for application to such purposes in Bangladesh, and
 - (i) such person specifies the Deputy Commissioner of Taxes, the purpose for which the income is being accumulated or set apart;
 - (ii) the accumulation or setting apart mentioned in above (i) shall in no case exceed ten years;
 - (iii) the money so accumulated or set apart is invested in any government security or in any other government's approved security, or deposited in any account with the Post Office Savings Bank, or deposited such money in an account with scheduled bank of which fifty one percent or more shares are held by the government.

	art and a second and
Woluntary contributions received by the Religious or Charitable Institution of the Religious or Charitable institution approve NGO Affairs Bureau approved person [Para 12]: (a) Any voluntary contribution or any charitable institution approved by a religious or charitable purpoved by a religious or Charitable purpoved by a religious or charitable purpoved by a religious or Charitable Institution of the Religious or Charitable Institution or the Religious or Charitable Institution of the Religio	Land Every Antonic transfer.
Commission authorized received by a person authorized peration [Para 13]. All your received by a person authorized peration [Para 13]. All your micro credit operation of micro credit by an entity registered with the Microcredit operation of micro credit by an entity registered with the following conditions: Authority subject to compliance with the following conditions: Such entity registered by the Microcredit Regulatory Authority sha Such entity registered by the Microcredit Regulatory Authority sha Such entity registered by the Microcredit Regulatory Authority sha Such entity registered by the Microcredit Regulatory Authority sha Such entity registered by the Microcredit Regulatory Authority sha The conditions mentioned in above sub-clause shall be applicable from the conditions mentioned in above sub-clause shall be applicable from the conditions mentioned in above sub-clause shall be applicable from the conditions mentioned in above sub-clause shall be applicable from the conditions mentioned in above sub-clause shall be applicable from the conditions mentioned in above sub-clause shall be applicable from the conditions mentioned in above sub-clause shall be applicable from the conditions mentioned in above sub-clause shall be applicable from the conditions mentioned in above sub-clause shall be applicable from the conditions mentioned in above sub-clause shall be applicable from the conditions mentioned in above sub-clause shall be applicable from the conditions mentioned in above sub-clause shall be applicable from the conditions mentioned in above sub-clause shall be applicable from the conditions mentioned in above sub-clause shall be applicable from the conditions mentioned in above sub-clause shall be applied to the conditions mentioned in above sub-clause shall be applied to the conditions mentioned in ab	Nature of Businesses: Al based solution development, Blockchain based solution development, Digital development and data science, Mobile application development service, Boftware development and customization, Software test lab service, Web listing website development and service, IT assistance and software maintenance service, Geographic Information Service, Digital animation development, Digital graphic design, Digital data entry and processing, e-learning platform, IT freelancing; Calculation development and customization, Software development, Digital graphic development and service, IT assistance and software maintenance service, Digital animation development, Digital graphic design, Digital data entry and processing, e-learning platform, IT freelancing; Calculation development and service, IT assistance and software maintenance service, Digital animation development, Digital graphic design, Digital data entry and processing, e-learning platform, IT freelancing; Calculation development and service, Digital animation development, Digital graphic design, Digital data entry and processing, e-learning platform, IT freelancing; Calculation development and service, Digital animation development and service, Digital animatio
For the purpose of this paragraph, set rice interest or share of profit, called by whatever name, paid or payable by interest or share of profit, called by whatever name, paid or payable by recipient for the amount borrowed under micro credit programme f nongovernment organization. Special allowances [Para 14]: Any special allowance, benefit or p specifically granted to meet expenses wholly and necessarily incurre specifically granted to meet expenses wholly and necessarily incurre specifically granted to meet expenses wholly and necessarily incurre	Tax paid by the government on behalf of a petroleum company [Para 23]: An amount paid by the government as tax on behalf of a petroleum exploration of in the company engaged in exploration of petroleum products in Bangladesh under the way of a petroleum product in Bangladesh. [Para 24]: Income derived from any Small and Mediu
expenditure was the most convenient or a participant in a fund [P Income received by a beneficiary of a trust or a participant The portion of income received by a beneficiary of a trust or a participant as part of the income of the trust or fund on which tax has been paid by	in a fund the said Enterprise (SME) engaged in production of any goods and having an annululation in a fund turnover of not more than taka fifty lakh (for SMEs owned by women, Tk. 70 lakh the said Income from Zero Coupon Bond [Para 25]: Any income derived from Zero Coupon Bond (ZCB) received by a parson other than Bank Insurance or an
trust or fund. Income of a member of a Hindu Undivided Family (HUF) [Para 16]: Any received by a member of HUF out of income of the said family where ta by the HUF. Foreign Remittance [Para 17]: Any income earned in abroad by an in	prior approval of Bangladesh Bank and Securities and Exchange Commission
assessee being a Bangladeshi citizen and orderin any order any assessee being a Bangladeshi citizen and orderin remittance. as per existing laws applicable in respect of foreign remittance. Income from various bonds [Para 18]: Any income received by an assess.	see from Income received by educational institutions [Para 26]: Any income, not being seement
bond, Euro premium bond, Euro investment bond, Pound sterling investment bond pound sterling premium bond Income of indigenous hillman [Para 19]: Income received from eactivities by indigenous Hillman within the hill districts of Rangamati, Ba and Khagrachari	onomic andarban • follows the curriculum approved by the Government; is governed by a body formed as per Government rules or regulations. • is governed by a body formed as per Government rules or regulations. • income from Salary [Para 27]: lower one of one-third of income computed under the salary income from Salary [Para 27]:
Agricultural income [Para 20]: Agricultural income upto Tk. 200,00 individual assessee if (a) he is a farmer, (b) his only source of income agricultural activities in the said income year, and (c) his income from in profit is not more than Tk. 20,000.	is from income, not being interest or dividend, received by any public university.

	Income of National Heart Foundation of Bangladesh, Bangladesh Diabetic
Bangladesh Income Tax - Theory and Practice Bangladesh Freedom Fighter Welfare Trust of an honorarium or allowance from Bangladesh Freedom Fighter Welfare Trust of an honorarium or allowance received by any person from the Government. or alfare allowance received by any reward received by any person from	Income of National Heart Foundation of Bangladesh, Bangladesh Society, Bangladesh Diabetic Foundation, Foundation of Research on Education Society, Bangladesh Diabetic Foundation, 2006 dated 18 07 2006
Bangladesh Income Tax - Theory and Practice of an honorarium or allowance from Bangladesh Freedom Fighter Welfare Trust of an honorarium or allowance received by any person from the Government. or any welfare allowance received by any reward received by any person from or any welfare allowance received by any reward received by any person from	Society, Balgiadesh Diabetic Formation (182/Law/2006 dated 18.07.2006)
of an honorarium or allowance from Bangiades. of an honorarium or allowance from Bangiades. of an honorarium or allowance received by any person from or any welfare allowance received by any person from or any welfare allowance received by any reward received by any person from the second from Government. Any reward from Government. Any reward from Government. Any reward from the Government.	Planning and Development (FREPD) [SRO 162 Law 2000 determined for the time-being in force for Income of Welfare Fund established under any law for the time-being in force for Income of Welfare Fund established under any law for the time-being in force for Income of Welfare Fund established under any law for the time-being in force for Income of Welfare Fund established under any law for the time-being in force for Income of Welfare Fund established under any law for the time-being in force for Income of Welfare Fund established under any law for the time-being in force for Income of Welfare Fund established under any law for the time-being in force for Income of Welfare Fund established under any law for the time-being in force for Income of Welfare Fund established under any law for the time-being in force for Income of Welfare Fund established under any law for the time-being in force for Income of Welfare Fund established under any law for the time-being in force for Income of Welfare Fund established under any law for the time-being in force for Income of Welfare Fund established under any law for the time-being in force for Income of Welfare Fund established under any law for the time-being in force for Income of Welfare Fund established under any law for the time-being in force for the time-
of an honorarium of an	Income of Welfare Fund established under any lates to the latest the latest the latest
or any weltare and Government [Para 30]. And	the welfare of the Tea Garden Workers [SRO 239-L/87 dated 18.10.1993]
I Am reward from the	Scholarships to meet the cost of education. [SRO 454-L/80 dated 31.12.1980]
the Government. care home [Full 0 5]	Monetary waved granted from the Cultural Heritage Fund for outstanding
or any welfare and of Government [Para 30]. Any income derived from the sum Government. In reward of elderly care home [Para 31]: Any income derived from the sum of an elderly care home are some of an elderly care home send of sum elderly care home sendent company [Para 32]: Any distribution of the sendent care home sendent company [Para 32]: Any distribution of the sendent care home sendent company [Para 32]:	contribution in the country's art and culture. [SRO 39-D 82 dated 1/10-1/10]
operation of access dividend to resident constituting such taxed dividend has	Ression received by army persons. [SRO 454-L/80]
the Government of elderly care home. Any reward of elderly care home. operation of an elderly care home. operation of laxed dividend to resident company [Para 32]: Any distribution of Distribution of laxed dividend to resident company distributing such taxed dividend has taxed dividend to a company if the company distributing such taxed dividend.	Contribution to Prime Minister's Relief Fund [SRO 125/L91 dated 01.07.1991]
taxed a vice and for the lates and corrier Para 331.	Tax on the tax amount paid by the employers' against salary paid to employees, if
Business income of ocean-going ships being Bangladeshi flag Bangladeshi flag Amy business income derived by an ocean-going ship being Bangladeshi into	employer pays the tax, such amount will not be included as all and
Business income derived by an ocean-going currency and brought into	I [CDO 192 AIN/00]
Amy business income derived by an ocean-going ship being building had business income derived by an ocean-going ship being building had business income derived by an ocean-going ship being building had building had been ship being building building had been carrier upto June 30, 2030, if it is received in foreign currency and building had been ship being building building building had been ship being building building had been ship being building building building building building had been ship being building b	Income of District Sports Association, Divisional Sports Association, national
carrier upon the sper existing laws applicable in respect to the special speci	Court Federation and National Sports (Olificial ISKO 270-All 2000)
	The same of Local Dayslorment Network Institutions established by right
	Davelenment Network (e.g. Aga Khan Foundation, Aga Khan
are a gett from sport of the returns of the	. Itt Education Complete MICA (MICA INV. 2001 United 2010 12
	Consideration to Collect Dishetic Society Islamia Eve Hospital and M. A.
donor and the recipient. Provided that in a case where the donor and the recipient in Bangladesh through banking channel, repatriated from abroad to the donor's return shall not apply;	Institute of Ophthalmology, Kidney Foundation, and Waltonia, 1981
and a straight from abroad to the recipient in Bangiadesii unough	. CD ===1=d==h (CD \ 100/TT/2006 dated (1/103-2000)
repatriated from abroad to the recipient in banganian repatriated from abroad to the recipient in banganian return shall not apply; the condition of appearing in the donor's return shall not apply;	District Physics Community Upenital ISRO 92-AIN/2008 dated 10.04.2009
the condition of appearing in the donor's retuit state market [Para 36]: Any capital Capital gain received by an individual from share market [Para 36]: Any capital	To the of any foreign faculty members leachille rescarch
Capital gain received by an individual from share manuscription of capital gain not exceeding Tk. 50 (fifty) lakes received by an individual, which is	
gain not exceeding Tk. 50 (fifty) lakhs received of an united company or fund; and acquired from the transfer of shares or units of sponsors, directors or	amplement in Asian University for Women ISKU 1/-AIN/2007 date
and acquired from the transfer of same of	Colony income of foreign nationals working in International Committee
placements of any company or fund.	Dadamas (ICDC) Dangladesh ISRI) XII-AIN/II/2010 unicu 15.00
	Income of Muktijuddho Jadughor. 5 Segunbagicha, Dhaka [SRO 117-AIN/IT/
Tax – exempted Incomes as per Different SRO's	2010 dated 21 04 20101
Tax – exempted Incomes as per Dayler of the new Income Tax Act 2023 (July 01, Note: SRO's issued before the issuance of the new Income Tax Act 2023 (July 01, Note: SRO's have been issued based	Income of Political Parties registered by Bangladesh Election Commission [SRO
Note: SRO's issued before the issuance of the new theolies. 2023), may need further approval from NBR, as those SRO's have been issued based.	330_ADV/TC/2011 dated 26.10.20111
2023), may need further approval from NBR. As those Site of the repealed Income Tax om the power entrusted to NBR Under Section 44(4)(b) of the repealed Income Tax	Contribution not exceeding Tk 500 000 to Child Health Foundation Hospital,
Ordinance 1984.	Child Hespital Jessons: Hospital for Sick Children, Saulkina (Ruit 6)
Palief Fund [SRO 254/L85]	Health Foundation RD): Digente Memorial Cancer Hospital, Dilaka, The Bitt
Contribution to President's Restablished for the welfare of workers employed in tea	Head-Neck Cancer Foundation of Bangladesh. Dhaka; and National Development
100 220 AIN-IT 1987 dated 29.09, 1987	Foundation for Disables' Dhaka [SRO 3]6-AIN/2008 dated 16.11.2009]
☐ Interest on Deposit Pension Scheme of a Bank approved by the government [SRO	Contribution to Asiatic Society of Bangladesh, Ramna, Dhaka [SRO 32-AIN/2009
90_ATX_FT 2003 TT 2003 dated 02.04.2003	
I Income from Bond not exceeding Tk. 25,000 issued by any government, semi-	dated 09.03.2009] Contribution to Jatir Janok Bangabondhu Sheikh Mujibur Rahman Memorial Contribution to Jatir Janok Bangabondhu Sheikh Mujibur Rahman Memorial
government or autonomous body engaged in electricity generation and distribution	Contribution to Jaur Janok Bangabonana Shahara, Rogra; and Salvation Trust, Dhaka; Rafatullah Community Hospital, Thengamara, Bogra; and Salvation
[SRO 66] Law 2004 dated 13.03.2004]	for the Deserving (SFD), Manikgonj [SRO 33-AIN/2009 dated 09.03.2009]
☐ Income of Stock Exchanges in Bangladesh up to certain limit [SRO 157-L/IT/2014	for the Deserving (SFD), Maintgoil [SRO 55] in the Control of the Deserving (SFD), Maintgoil [SRO 55] in the Control of the Deserving (SFD), Maintgoil [SRO 55] in the Control of the Cont
dated 26.06.2014]	Social Welfare Department (Reg. 21 1976) [SRO 90-AIN/IT/2009 dated 27.05.09]
☐ Income of Army Welfare Trust established for the welfare of the Ex-Army	Social Welfare Department (Reg. 21 1970) [SRO 70-7411/11/2007 dated 2/100/11/

personnel, their children and dependents [SRO 23/ Law/2007 dated 22.02.2007]

Bangladesh Income Tax - Theory and Principles Bangladesh Income Tax	The portion of the income of an assessee that is contributed to "Suchona Foundation" for the portion of the income of an assessee that is contributed to "Suchona in the portion of the income of an assessee that is contributed to "Suchona in the portion of the income of an assessee that is contributed to "Suchona in the portion of the income of an assessee that is contributed to "Suchona in the portion of the income of an assessee that is contributed to "Suchona in the portion of the income of an assessee that is contributed to "Suchona in the portion of the income of an assessee that is contributed to "Suchona in the portion of the income of an assessee that is contributed to "Suchona in the portion of the income of an assessee that is contributed to "Suchona in the portion of the portion of the income of an assessee that is contributed to "Suchona in the portion of the portion
Bangladesh Income Tax - Theory and Princite Donation to Muktijuddho Jadughor, 5, Segunbagicha, Dhaka [SRO 116-AIN/IT/ Donation to Muktijuddho Jadughor, 5, Segunbagicha, Dhaka [SRO 116-AIN/IT/ Donation to Muktijuddho Jadughor, 5, Segunbagicha, Dhaka [SRO 116-AIN/IT/ Donation to Muktijuddho Jadughor, 5, Segunbagicha, Dhaka [SRO 218- 2010 (21.04.2010)]; Society for Assistance to Hearing Impaired Children (SAHIC) 2010 (21.04.2010)]; Society for Assistance to Hearing Impaired Children (SAHIC) 2010 (21.04.2010)]; Society for Assistance to Hearing Impaired Children (SAHIC) 2010 (21.04.2010)]; Society for Assistance to Hearing Impaired Children (SAHIC) 2010 (21.04.2010)]; Society for Assistance to Hearing Impaired Children (SAHIC) 2010 (21.04.2010)]; Society for Assistance to Hearing Impaired Children (SAHIC) 2010 (21.04.2010)]; Society for Assistance to Hearing Impaired Children (SAHIC) 2010 (21.04.2010)]; Society for Assistance to Hearing Impaired Children (SAHIC)	I the Welfare of disable persons [SDO 97 AIN/IT/2016 details
Donation to Middle Society for Assistance to Fleating Health Care Trust [SRO 218-	06.04.2016]
2010 (21.04.2010)); A.K.Kilali 11. 11. ISBO 409-AIN/IT/	The foreign workers working in the companies established in accordance to
[SRO 11-AIN/IT/2011(10.01.2011)]; Civil Service College, Dhaka [SRO 407/III/17] AIN/IT/2011 (04.07.2011)]; Civil Service College, Dhaka [SRO 407/III/17] AIN/IT/2012 (17.12.2012)], Income of "Bisha Shahitto Kendro" [SRO 182-AIN/IT/2013] AIN/IT/2012 (17.12.2012)], Income of "Bisha Shahitto Kendro" [SRO 407/III/17] AIN/IT/2012 (17.12.2012)], Income of "Bisha Shahitto Kendro" [SRO 407/III/17] AIN/IT/2012 (17.12.2012)]	Bangladesh Economic Zone Act, 2010 [SRO 298-AIN/IT/2015 dated 08.10.2015]
AIN/IT/2011 (04-20) Income of "Bisha Shahitto Kendio" [197]	Certain benefits for the D
2012 (17.12.2012)], most	- Strain beliefly for the Developer. Company operating in accordance to
(10.06.2013)] Governments' Servants Welfall Proposition	Bangladesh Hitech Park Authority Act, 2010 [SRO 299, 300, 301, 302-
2012 (17.12.2012)]. Income of Bangladesh Retired Governments' Servants Welfare Association Income of Bangladesh Retired Governments' Servants Welfare Association of Bangladesh Retired Governments' Servants Welfare (Reg: 21/1976) [SRO 90-AIN/2009]	30 - 1 - 2 - 1
	Income of Excelerate Energy Bangladesh Limited (EEBL) involved in the Floating
1 1 27 05 20091	ENG Storage and Regasification Facility at Cox'sbazar under Build. Own Operate
Any gain from sale of shares of listed companies will be date to similar tax exemption in his non-resident provided that such assessee is entitled to similar tax exemption in his non-resident provided that such assessee is entitled to similar tax exemption in his non-resident provided that such assessee is entitled to similar tax exemption in his non-resident provided that such assessee is entitled to similar tax exemption in his non-resident provided that such assessee is entitled to similar tax exemption in his non-resident provided that such assessee is entitled to similar tax exemption in his non-resident provided that such assessee is entitled to similar tax exemption in his non-resident provided that such assessee is entitled to similar tax exemption in his non-resident provided that such assessee is entitled to similar tax exemption in his non-resident provided that such assessee is entitled to similar tax exemption in his non-resident provided that such assessee is entitled to similar tax exemption in his non-resident provided that such assessee is entitled to similar tax exemption in his non-resident provided that such assessee is entitled to similar tax exemption in his non-resident provided that such assessee is entitled to similar tax exemption in his non-resident provided that such assessee is entitled to similar tax exemption in his non-resident provided that such assessee is entitled to similar tax exemption in his non-resident provided that such as exemption in his non-resident provide	and Transfer (BOOT) method subject to fulfillment of certain conditions ISRO
pon-resident provided that a second 20121	102-AIN/IT/2017 dated 03.05.2017].
own country [SRO 59-AIN/IT/2012 dated 28.02.2012] own country [SRO 59-AIN/IT/2012 dated 28.02.2012] Any income of commerce ministry approved Federation of Chamber of Commerce Any income from interest, income from house property and	☐ Income of the Russian and Foreign workers and consultants working in Rooppur
Any income of commerce ministry approved redetation of the state of th	Atomic Electricity Power Generation Project for the tenure under construction
and Industries (except income from an annual an ann	[SRO 242-AIN/IT/2016 dated 25.07.2016]
and Industries (except income from interest, and industries (except income from interest) [SRO 210-AIN/IT/2013 dated 01.07.2013] income from business) [SRO 210-AIN/IT/2013 dated 01.07.2013] Donation to Science and Technology Development Fund, Ministry of Science and Donation to Science and Technology Development Fund, Ministry of Science and Donation to Science and Technology Development Fund.	Income of latir landy Bonocherdty Chailt A4 iii. B. J. A4 ii Tour Co.
Donation to Science and Technology Dealer [SRO 282-AIN/IT/2013(21.08.2013)]	Income of Jatir Janok Bongobondhu Sheikh Mujibur Rahman Memorial Trust for
Technology. Bangladesh Secretariat, Unhata [Siko Edwin Seneral Osmani Income earned from charitable and service activities by Bangabir General Osmani Income earned from charitable and service activities by Bangabir General Osmani	10 years, subject to fulfillment of certain conditions [SRO 234-AIN/IT/2018 dated
Income earned from charitable and service activities by	17.07.2018 later revised by SRO 358-AIN/IT/2018 dated 05.12.2018].
Income earned from characteristics and the foreign investor of Coal Based 1320-Megawatt Dividend income of the foreign investor of Coal Based 1320-Megawatt	Income of Khawaja Younus Ali Medical College and Hospital, Sirajgonj, subject
Dividend income of the foreign investor of Coars from the date	to fulfillment of certain conditions [SRO 227-AIN/IT/2018 dated 09.07.2018]
Dividend income of the folding invested by Dividend income of the folding income of the	Income of Japanese Contractors and employees engaged in the construction of The
of starting commercial operation [SRO 266-AIN/IT/2013 dated 30.07.2013]	Kanchpur, Meghna and Gumti 2nd Bridges Construction and Existing Bridges
of starting commercial operation [action of the starting commercial operation of the organization named "Surer Dhara" earned from the tuition fee of Income of the organization named "Surer Dhara" earned from the tuition fee of Income of the organization named "Surer Dhara" earned from the tuition fee of Income of the organization named "Surer Dhara" earned from the tuition fee of Income of the organization named "Surer Dhara" earned from the tuition fee of Income of the organization named "Surer Dhara" earned from the tuition fee of Income of the organization named "Surer Dhara" earned from the stuition fee of Income of the organization named "Surer Dhara" earned from the surer Dhara" (SRO)	Rehabilitation Project [SRO 226-AIN/IT/2018 dated 09.07.2018]
music training conducted under the activities of "Music for Development" [SRO	☐ Interest income from FDR and savings bank deposit of Bangabondhu Sheikh
264-AIN/IT/2013 dated 30.07.2013]	Mujib Medical University for 5 years [SRO 44-AIN/IT/2019 dated 14.02.2019]
☐ Interest income of "Sweden-Bangladesh Trust Fund" from Fixed or Savings	☐ Interest income from FDR and savings bank deposit of Basharatullah Chowdhury
deposit [SRO 181-AIN/IT/2013 dated 10.06.2013]	Memorial Trust for 5 years [SRO 44-AIN/IT/2019 dated 14.02.2019]
Income of Bangladesh Lions Foundation earned from non-profit and medical	☐ Income of Japanese Contractors and employees engaged in the construction of
service activities [SRO 06-AIN/IT/2013 dated 15.01.2013]	National Power Transmission Network Development Project [SRO 226-
Income earned only from providing medical services of THE ENT AND HEAD-	AIN/IT/2018 dated 09.07.2018]
NECK CANCER HOSPITAL AND INSTITUTE [SRO 320-AIN/IT/2015 dated	☐ Income of Japanese Contractors and employees engaged in the construction of
01.11.2015]	Dhaka Mass Rapid Transit Development Project [SRO 226-AIN/IT/2018 dated
☐ Income of Pally Karmo Sohaiok Foundation [SRO 42-AIN/IT/2015 (23.02.2015)]	09.07.2018].
☐ Income of Society for Assistance to Hearing Impaired Children (SAHIC) [SRO	☐ Income of Khaja Yunus Ali Medical College and Hospital, Sirajgong [SRO 227-
115-AIN/IT/2015 dated 06.06.2015]	AIN/IT/2018 dated 09.07.2018]
☐ Income donated to the philanthropic institution named "Probin Kallyan Songstha"	☐ Interest income from FDR and savings bank deposit of Byanibazar Cancer &
by an assessee [SRO 116-AIN/IT/2015 dated 04.06.2015]	General Hospital for 5 years [SRO 14-AIN/IT/2019 dated 14.01.2019]
☐ Income earned from providing medical services only by Chittagong Mother &	□ Donation from members and income from providing meditation service of
Children Hospital [SRO 117-AIN/IT/2015 dated 04.06.2015]	Quantum Foundation for 5 years [SRO 40-AIN/IT/2019 dated 11.02.2019]
Income earned from providing medical services only by Kidney Foundation	Zanas farman Las 2 1000/ Servent 4 900/ Farman 5 700/ Farman 6 600/
Hospital & Research Institute [SRO 160-AIN/IT/2015 dated 04.06.2015]	Zones, for year 1 to 3, 100%; for year 4, 80%; for year 5, 70%; for year 6, 60%;
Income of Lolit Mohan-Dhonoboti Memorial Foundation [SRO 12-AIN/IT/2016	for year 7, 50%; for year 8, 40%; for year 9, 30%; for year 10, 20% [SRO 81-

	Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization (Income of three Japanese International Consultance International Consultan
adesh Income	Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization, namely Koei Income of three Japanese International Consultancy Organization (Income of three Japanese International Consultance Int
0	Income of three Japanese International Collistation Income of three Japanese Internation Income of thr
_	Research & Constant Development 1165 Upazila Governance and Development 1165 Upazila Governance and Information (CRI) [SRO 83-AIN/IT/2019 dated 19.03.2019] Income of Centre for Research and Information (CRI) [SRO 83-AIN/IT/2019 dated 19.03.2019]
	Upazila dovom
_	vector of Centre for Research and
п	Income of Centre for Research and Interview Income of Centre for Research and Interview Income of Centre for Research and Interview Income arising from "fees arising from loans" of SS Power I Limited Income arising from agreement among Government of the People's Republic of Rangladesh Ltd. and SS Power I Limited
	implementation Crid Company of Bangara
	Bangladesh, Forman dated 13.03.2019]
	[SRO 68-AIN/III/2017] [SRO 275-AIN/III/2017] [SRO 68-AIN/III/2017] [SRO 68-AIN/IIII/2017] [SRO 68-AIN/IIII/2017] [SRO 68-AIN/IIII/2017] [SRO 68-AIN/IIII/2017] [SRO 68-AIN/IIII/2017] [SRO 68-AIN/IIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIII
	Isro 68-AIN/IT/2019 dated 24.09/2019 lincome of AFC Health Limited [SRO 275-AIN/IT/2019 dated 24.09/2019] Income of two Japanese International Consultancy Organization, Nippon Koei Co. Income of two Japanese International Consultancy Organization, Nippon Koei Co. Income of two Japanese International Consultancy Organization, Nippon Koei Co. Income of two Japanese International Consultancy Organization, Nippon Koei Co. Income of two Japanese International Consultancy Organization, Nippon Koei Co. Income of two Japanese International Consultancy Organization, Nippon Koei Co. Income of two Japanese International Consultancy Organization, Nippon Koei Co. Income of two Japanese International Consultancy Organization, Nippon Koei Co. Income of two Japanese International Consultancy Organization, Nippon Koei Co. Income of two Japanese International Consultancy Organization, Nippon Koei Co. Income of two Japanese International Consultancy Organization, Nippon Koei Co. Income of two Japanese International Consultancy Organization, Nippon Koei Co. Income of two Japanese International Consultancy Organization, Nippon Koei Co. Income of two Japanese International Consultancy Organization, Nippon Koei Co. Income of two Japanese International Consultancy Organization, Nippon Koei Co. Income of two Japanese International Consultancy Organization, Nippon Koei Co. Income of two Japanese International Consultancy Organization, Nippon Koei Co. Income of two Japanese International Consultancy Organization, Nippon Koei Co. Income of two Japanese International Consultancy Organization, Nippon Koei Co. Income of two Japanese International Consultancy Organization, Nippon Koei Co. Income of two Japanese International Consultancy Organization (Nippon Koei Co.) Income of two Japanese International Consultancy Organization (Nippon Koei Co.) Income of two Japanese International Consultancy Organization (Nippon Koei Co.) Income of two Japanese International Consultancy Organization (Nippon Koei Co.) Income of two J
	Income of AFC Health Elimentational Consultancy Organization, (Appearation of two Japanese International Consultants Global Co. Ltd engaged in Hazrat Shahjalal Ltd. & Oriental Consultants Global Co. Ltd engaged in Hazrat Shahjalal Ltd. & Oriental Consultants Global Co. Ltd engaged in Hazrat Shahjalal Ltd. & Oriental Consultants Global Co. Ltd engaged in Hazrat Shahjalal Ltd. & Oriental Consultants Global Co. Ltd engaged in Hazrat Shahjalal Ltd. & Oriental Consultants Global Co. Ltd. engaged in Hazrat Shahjalal Ltd. & Oriental Consultants Global Co. Ltd. engaged in Hazrat Shahjalal Ltd. & Oriental Consultants Global Co. Ltd. engaged in Hazrat Shahjalal Ltd. & Oriental Consultants Global Co. Ltd. engaged in Hazrat Shahjalal Ltd. & Oriental Consultants Global Co. Ltd. engaged in Hazrat Shahjalal Ltd. & Oriental Consultants Global Co. Ltd. engaged in Hazrat Shahjalal Ltd. & Oriental Consultants Global Co. Ltd. engaged in Hazrat Shahjalal Ltd. & Oriental Consultants Global Co. Ltd. engaged in Hazrat Shahjalal Ltd. & Oriental Consultants Global Co. Ltd. engaged in Hazrat Shahjalal Ltd. & Oriental Consultants Global Co. Ltd. engaged in Hazrat Shahjalal Ltd. & Oriental Consultants Global Co. Ltd. engaged in Hazrat Shahjalal Ltd. & Oriental Consultants Global Co. Ltd. engaged in Hazrat Shahjalal Ltd. & Oriental Consultants Global Co. Ltd. engaged in Hazrat Shahjalal Ltd. & Oriental Consultants Global Co. Ltd. engaged in Hazrat Shahjalal Ltd. & Oriental Consultants Global Co. Ltd. engaged in Hazrat Shahjalal Ltd. & Oriental Consultants Global Co. Ltd. engaged in Hazrat Shahjalal Ltd. & Oriental Consultants Global Co. Ltd. engaged in Hazrat Shahjalal Ltd. & Oriental Consultants Global Co. Ltd. engaged in Hazrat Shahjalal Ltd. enga
П	of lananese Community of Dhaka Mass Rapid Hansit
	Development Project (11) C L
	Income of two Japanese International Consultancy Organization (Consultancy Organization) Income of two Japanese International Consultancy Organization (Consultance Organization) Ltd. & Tokyo Electric Power Service Co. Ltd engaged in Dhaka/Chittagong Main Ltd. & Tokyo Electric Power Service (SRO 131-AIN/IT/2019 dated 22.05.2019)
	Ltd. & Tokyo Electric Power Service Co. Ltd engaged in Diameter Ltd. & Tokyo Electric Power Service Co. Ltd. & Tokyo Electric Power Se
п	Donation to Alhaj Ayesna Nui Welland
	24 09.2018] capo 271 AIN/IT/2018 dated 24.12.2018]
	Donation to Shanti Cancer Foundation [SRO 371-AIN/IT/2018 dated 24.12.2018] Income of Islamic Development Bank [SRO 372-AIN/IT/2018 dated 24.12.2018] Income of Islamic Development Bank [SRO 372-AIN/IT/2018 dated 24.12.2018]
	Income of Islamic Development Bank [SKO 5/2-All Months of Islamic Bank [SKO 5/2-All Months
	5 years [SRO 373-AIN/IT/2018 dated 24.12.2018]
п	5 years [SRO 373-AIN/IT/2018 dated 24,12,2016] Donation to Pandughar Hasina Khanom Foundation [SRO 360-AIN/IT/2018 dated
٦	05.12.2018] Of Regum Jebunnesa
	05.12.2018] Interest on any savings and fixed deposits in bank in the name of Begum Jebunnesa & Kazi Mahbubullah Social Welfare Trust for 5 years effective from 27th October,
_	A sensition [SR] 112017 dated 2.77
_	on on on the Cofir Marium Sattar Sakera Foundation
	AIN/IT/2019 dated 29.01.2019]; BUE1 Alumni Association (BOETT) [570
_	AIN/IT/2019 dated 27.10.2019] Interest on any savings and fixed deposits in bank in the name of The Blue Sky
L	Charitable Foundation for 5 years effective from 27th October, 2019 [SRO 339-
	AIN/IT/2019 dated 27.10.2019]
1	☐ Income of Tofael Ahmed Foundation [SRO 349-AIN/IT/2019 dated 04.11.2019]
	 Contribution to the Asian University for Women by any individual, corporation or
	any entity will be deductible from their gross taxable income. [SRO 389-
	AIN/IT/2019 dated 15 12 20191

	Chapter
	Income of Anjuman Mufidul Islam [SRO 386-AIN/IT/2019 dated 08.12.2019]
to the contract of	for Payra Port through PPP" by Payra Dredging Company Limited, and the income
motion of the state of	foreign workers working in the project [SRO 390-AIN/IT/2019 dated 15.12.2019]
Segred bin are	Income of President Abdul Hamid Foundation for 10 years effective from
THE OBST OF THE	December 18, 2019 [SRO 392-AIN/IT/2019 dated 18.12.2019]
	Income of Private Power Generation Company (Except Coal based Power
, isboti i i i	Generation Company) from electricity generation business upto December 31,
matte of the first of the same	2034 [SRO 05-AIN/IT/2020 dated 02.01.2020]
_	Income of Monwara Islam-Tajul Islam Welfare Trust for 5 years effective from
y allow to the	January 23, 2020 [SRO 23-AIN/IT/2020 dated 23.01.2020]
cont. of a second	January 23, 2020 [SRO 23-AIN/11/2020 dated 25/01/2020]
	Income of Aga Khan Fund for Economic Development (AKFED) subject to contribution of its profit to any non-profitable organization under Aga
w W	
hanker of Jak	Development Networks [SKO 20-Anv/11/2020 dated 20-based and Skib-Al Mahbub
	Interest on any savings and fixed deposits in bank in the name of Nakib-Al Mahbub Memorial Trust for 5 years effective from 26th January, 2020 [SRO 27-
Sales Trans	Memorial Trust for 5 years effective from 20th January,
_	AIN/IT/2020 dated 26.01.2020] Donate Bangladesh Red Crescent Society [SRO 30-AIN/IT/2020 (03.02.2020)] Donate Bangladesh Red Crescent Society [SRO 30-AIN/IT/2020 (03.02.2020)]
ant in the color in the	Donation income of Maulana Hashmat Ullah Deobondi Foundation for 5 years
-n	effective from 3rd February 2020 ISRO 31-AIN/IT/2020 dated 03.02.2020
	Income of Consortium of Sumitomo Corporation, Toshiba Corporation and III
in the second	Corporation engaged in Matarhari Illtra Super Critical Coal-Fired Power Troject,
	Income of Japanese Contractors and Suppliers from Supply to this Project, Media
	of Japanese workers in this Project [SRO 32-AIN/11/2020 dated 03.02.2020]
	Income of the District Sports Association, Divisional Sports Association, National
the great of the second	Sports Federation, National Sports Council, and Bangladesh Olympic Association
Section 1990 Section	[SRO 21-AIN/IT/2020 dated 20.01.2021]
acities with 📋	Cash reward from lottery under EFDMS (Electronic Fiscal Device Management
	System) ISRO 29-AIN/IT/2021 dated 28.01.20211
	Income of Asian Infrastructure Investment Bank (AIIB) subject to the fulfillment
1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	of the conditions under its Articles of Agreement [SRO 197-AIN/IT/2021 dated
The second section is	10.06.2021] Income earned from welfare and service of Obstetrical and Gynecological Society
. , 1	of Bangladesh (OGSB) for 5 years effective from May 19, 2019, subject to the
1600 and 1 1000 me	fulfillment of certain conditions [SRO 195-AIN/IT/2021 dated 09.06.2021]
	Income of Bangladeshi registered (local and joint venture) Active Pharmaceutical
1 4	Ingredients Molecule and Solutions manufacturers subject to the fulfillment of
	cortain conditions [SRO 316-AIN/IT/2021 dated 11.10.2021]
.	Income of Special Purpose Vehicle (SPV) subject to the fulfillment of certain
2 1 2 2 40	conditions [SRO 317-AIN/IT/2021 dated 11.10.2021]
(1) / Na	Income of OT) Joint Venture (Obayashi Corporation-TOA Corporation-JFE
	Engineering Corporation) engaged in the construction of Bangabandhu Sheikh
	123
	 -

Landa Income T	Mujib Railway Bridge Construction Project and Income of Japanese workers in Mujib Railway Bridge Construction Project and Income of Japanese workers in Mujib Railway Bridge Construction Project and Income of Japanese workers in Mujib Railway Bridge Construction Project and Income of Japanese workers in Mujib Railway Bridge Construction (IHI Infrastructure Systems Co. Ltd
۵	this project effective from April 05, 2020 [SRO 11]. Bangabandhu Sheikh Mujib Railway Bridge Construction Project and Income of Sumitomo Mitsui Construction Project Andrews Project Andrews Project Andrews Proj
	for 5 years effective and 185-AIN/IT/2022 dated 08.06.20221
	Any income from lindess. Any income from lindess. Fee, and research fee of Suchona Foundation for 5 years effective from 17th June, fee, and research fee of Suchona Foundation for 5 years effective from 17th June, fee, and research fee of Suchona Foundation for 5 years effective from 17th June, fee, and research fee of Suchona Foundation for 5 years effective from 17th June, fee, and research fee of Suchona Foundation for 5 years effective from 17th June, fee, and research fee of Suchona Foundation for 5 years effective from 17th June, fee, and research fee of Suchona Foundation for 5 years effective from 17th June, fee, and research fee of Suchona Foundation for 5 years effective from 17th June, fee, and research fee of Suchona Foundation for 5 years effective from 17th June, fee, and research fee of Suchona Foundation for 5 years effective from 17th June, fee, and research fee of Suchona Foundation for 5 years effective from 17th June, fee, and research fee of Suchona Foundation for 5 years effective from 17th June, fee, and research fee of Suchona Foundation for 5 years effective from 17th June, fee, and research fee of Suchona Foundation for 5 years effective from 17th June, fee, and research fee of Suchona Foundation for 5 years effective from 17th June, fee, and research fee of Suchona Foundation for 5 years effective from 17th June, fee, and fee of 5 years effective from 17th June, fee, and fee of 5 years effective from 17th June, fee, and fee of 5 years effective from 17th June, fee, and fee of 5 years effective from 17th June, fee, and fee of 5 years effective from 17th June, fee, and fee of 5 years effective from 17th June, fee, and fee of 5 years effective from 17th June, fee, and fee of 5 years effective from 17th June, fee, and fee of 5 years effective from 17th June, fee, and fee of 5 years effective from 17th June, fee, and fee of 5 years effective from 17th June, fee, and fee of 5 years effective from 17th June, fee, and fee of 5 years effective from 17th June, fee
ř.	Any receipt/allowance (inclosed government other than basic salary, festival government employees from government other than basic salary, festival government employees from government other than basic salary, festival government other than basic salary government of the g
	Research Grant received from any tool grant received from any tool grant research upto assessment year 2026-2027 or research institutes for conducting research upto assessment year 2026-2027
	Interest received by any depositor of infinitesident Banking Sect., 2024 [SRO 100-AIN/IT-Offshore Banking Unit run under Offshore Banking Act., 2024 [SRO 100-AIN/IT-
	Any income (except interest, dividend, and capital gain) earned by the Oncology Club, Bangladesh; and Obstetrical and Gynaecological Society of Bangladesh (OGSB) for 3 years from July 01, 2024 [SRO 155-AIN/IT-30/2024 dated 20.05.2024]
	Tax on income from goods or services of the companies from their operation in High Tech Parks established under Bangladesh High Tech Park Act, 2010, for year 1 to 7, 100%; for year 8 to 10, 70%; subject to fulfillment of certain conditions [SRO 245-AIN/IT-39/2024 dated 27.06.2024]
	Tax on income from goods or services of the companies from their operation in Bangladesh Economic Zones, for year 1 to 3, 100%; for year 4, 80%; for year 5, 70%; for year 6, 60%; for year 7, 50%; for year 8, 40%; for year 9, 30%; for year 10, 20%; subject to fulfillment of certain conditions [SRO 264-AIN/IT-38/2024 dated 27.06.2024]
	Any income of Investment Corporation of Bangladesh (ICB) Unit Fund [SRO 304-AIN/IT-45/2024 dated 02.09.2024]
	Income of Grameen Bank upto December 31, 2029 [SRO 339-AIN/IT-47/2024 dated 09.10.2024]
	Tax of renewable energy-based electricity generation companies, whose commercial application will start between July 01, 2025 to June 30, 2030, for year

1 to 5, 100%; for year 6 to 8, 50%; for year 9 to 10, 25% [SRO 339-AIN/IT-

50/2024 dated 27.11.2024]

Tax Exempted Incomes (Tax free income) under Section 80 Following tax exempt incomes are included in the total income of an assessee for tax computation purpose. The assessee will be entitled to get rebate on tax at the average rate of tax for such income. They are: ☐ Income from Association of Persons: Any sum received by the assessee out of the income of an association of persons other than a Hindu Undivided Family, Lorabinity of the a company or firm on which tax has already been paid. Income from a Firm: Any share of profit of a partnership firm if tax on such profit or income has already been paid by the firm. In case of a firm, where income is derived by the exercise of a profession and depends wholly on the personal qualification of the partners, and if the partners are prevented by law to form a company, the income would not be taxable in the hands of the firm. The partners of the firm would be assessed considering the share of income of the firm. [SRO 181-L/99 dated 10.07.1999] Deduction from Total Income [Section 77(2); Part 2 of the Sixth Schedule] The following incomes will be deducted from total income computation of tax liability [Part 2, 6th Schedule]: Donation through bank transfer in the income year to - Any fund established under the Prime Minister's Education Assistance Act, 2012 (Act No. 15 of 2012), upto the maximum limit of the lower between: - 10% of its income or Taka 8 crore, for company. 10% of its income or Taka 1 crore, for other than company. Any Girl's School or college that are approved by the Ministry of Education; Ministry of Education approved Technical and Vocational Training Institutes; Donation through bank transfer to any national level institute related to the research and development of agriculture, science, technology and industry. Incomes specified in Part 2 of the Sixth Schedule of the Income Tax Act, 2023 are to be deducted from the total income computation of income tax subject to the fulfillment of the following conditions under Section 77(2):

Such donation related information has been reflected in the return and documents attached thereto;

- ☐ Total donation made under Part 2 of the Sixth Schedule does not exceed 10% of the total income before deduction of such donation amount;
- Detailed information regarding sources and amount of income has been furnished with the return.

3.12

CLO

3.2

3.6

TAX CREDIT INCOME OR INVESTMENT ALLOWANCE

As per section 78 of the ITA, 2023, a resident and non-resident Bangladeshi individual assessee will get tax rebate from the amount of tax payable on his total income. Here the "rebate amount" shall be the lesser of:

	0	3% of Total Income excluding any income on which a tax exemption or a reduced rate or minimum tax rate is applicable.	
		15% on total amount of investment allowance or contribution made by the assessee within the scope of the Sixth Schedule, Part 3; or	
		Tk. 10,00,000 (Ten Lac).	
	Ac	cording to Part 3 of the Sixth Schedule, the following items should be considered	ń.
	as	investment allowance to enjoy tax credit/rebate facility:	(e ⁵
		Life Insurance Premium Paid [Para 1]: Any sum paid in Bangladesh by an assessee to affect an insurance or a contract for deferred annuity on the life of himself, spouse or minor child, provided that such payment of insurance shall not exceed 10% of the sum assessed excluding bonus or other benefits.	1
	_	exceed 10% of the sum assessed excluding bonus or other benefits.	te
		Life Insurance Premium Paid by a Hindu Undivided Family [Para 2]: Any sum paid in Bangladesh by a HUF to effect an insurance on the life of any male member of the family or the wife of any such member.	ng
		Deduction from the valary of Government amployee for defermed	4
≯ ,		Any sum not exceeding one-fifth of the salary deducted from the salary payable by the Government or on its behalf to any individual in accordance with the service	I.«
		Contribution to Provident Funds [Para 4]: Any contribution by an assessed to	
	_	Employer's and Employee's contribution to a Recognized Provident Fund [Para 5]. Any sum paid to a recognized provident fund by the assessee and the employer,	
		where the assessee is a participant subject to the limits laid down in Part 3 of the 2 nd Schedule.	
		Contribution to Superannuation Fund [Para 6]: Any sum paid by the page.	1.
		ordinary annual contribution to approved superannuation fund as a participant to the fund.	g.
		Investment in Savings Certificate [Para 7]: Any sum invested in the following:	
		 Government securities (as defined in Section 2(87)) not exceeding Tk 5 lac 	
		 Unit mutual fund certificates, ETF/Joint Investment Scheme Unit Certificate issued by financial institution or ICB and its subsidiaries, upto Tk. 5 lac; 	E
		Any amount not exceeding Tk. 120,000 by an individual in any Deposit	
		Pension Scheme or Monthly Savings Scheme sponsored by a Scheduled Bank or a financial institution.	Са
		Any contribution to Universal Pension Scheme [SRO 295-LAW/IT- 17/2023	sci
	_	dated 31.10.2023].	(a)
		Investment in stocks or shares by an individual in any stock exchange approved by	(b) (c)
		the BSEC [Para 8]: Any sum invested in the acquisition of any securities (shares	
		of a company, mutual fund or debenture or bonds etc.) listed with any stock exchange run under BSEC.	So,
		B	

Donation to a Charitable Hospital [Para 9]: Any sum paid as donation to a

is made after one year of establishment of the hospital.

charitable hospital established outside the city corporation, provided the donation

Chapter - 3 Income, Exemptions, & Allowances Donation to Organizations set up for the welfare of retarded people [Para 10]. Any sum paid as donation to an organization set up for the welfare of retarded people, provided the donation is made after one year of establishment of the organization and is approved by the Social Welfare Department and the NBR. Donation to Zakat Fund [Para 11]: Any sum paid by an assessee as Zakat to the Zakat Fund or charitable fund established by or under the Zakat Fund Management ☐ Contribution to Benevolent Fund and Group Insurance Scheme [Para – 12]: Any sum paid by an assessee to make provision for his spouse, children or other dependent person to a benevolent fund or any premium paid under a group insurance scheme approved by the NBR. Contribution to Philanthropic or Educational Institution [Para 13]: Any sum paid by an assessee as donation to Philanthropic or Educational Institution approved by □ Donation to national level institution set up in memory of the liberation war [Para 14]: Any sum paid by an assessee as donation to a national level institution set up □ Donation to national level institution set up in memory of Father of the Nation [Para 15]: Any sum paid by an assessee as donation to a national level institution set up in memory of Father of the nation. Contribution to Bangladesh Universal Pension Scheme formed under the Universal Pension Management Act, 2023. ☐ Contribution to Ahsania Mission Cancer Hospital [SRO 202/IT/2005 dated □ Donation to The International Centre for Diarrhoeal Disease Research, Bangladesh (ICDDR,B) [SRO 232/IT/2006 dated 24.09.2006] □ Donation to Centre for the Rehabilitation of the Paralysed (CRP), Savar [SRO 42-AIN/IT/2008 dated 24.02.2008]

EXHIBIT

3.1

Tax Rebate on Investments: Few Illustration

Case 1: Mr. Tareq's total income is Tk. 12,00,000 in the current income year. His actual investment as per sixth schedule part 3 is Tk. 280,000. Here, the tax rebate will be lower of (a), (b) and (c):

(a) 3% of Total income (12,00,000 × 3%)

Tk. 36,000

15% of actual investment allowance as per 6th Schedule, Part 3 (2,80,000 x 15%) Tk. 10,00,000

42,000 10,00,000

So, the eligible amount of tax rebate is Tk. 36,000.

Case 2: Mr. Belal's total income is Tk. 22.00.000 in the current income year. His actual investment as per sixth schedule part 3 is Tk. 600,000. Here, the eligible amount of tax rebate will be lower of (a), (b) and (c):

(a) 3% of Total income (22,00,000 × 3%)

66,000 Tk. 90,000

(b) 15% of actual investment allowance as per 6th Schedule, Part 3 (6,00,000 × 15%)

126

10,000,000

(c) Tk 10,00,000

Case 3: Mr. Rofiq's total income is Tk. 18,00,000 (including Tk. 350,000 income from fisheries project on which

Case 3: Mr. Rafiq's total income is 18, 10,00,000 (including) reduced tax rate is applicable) in the current income year. His actual investment as per sixth schedule part 3 is Tk 200,000. Here, the eligible amount of tax rebate will be lower of (a), (b) and (c): (a) 3% of total income excluding any income for which a tax exemption or a reduced rate

30,000 10,00,000

or minimum tax is applicable i.e. [(18,00,000 - 350,000) × 3%] 15% of actual investment allowance as per 6th Schedule, Part 3 (2,00,000 × 15%)

Tk. 10,00,000

So, eligible amount of tax rebate is Tk. 30,000. Case 4: Mr. Sumon's total income is Tk. 22,00,000 in the current income year. He has made the following investments and contributions during the income year and claimed for tax rebate. Compute tax rebate on the

Contribution of life insurance premiums: For own Tk. 25,000 (Policy value Tk. 200,000); For spouse Tk. allowable investments for the year.

15,000 (PV Tk. 200,000): For his father Tk. 18,000 (PV Tk. 200,000). He has contributed 10% of his basic salary to the recognized provident fund and his employer has also

contributed the same. The annual basic salary for the income year is Tk. 480,000.

He has purchased 5-year Bangladesh Savings Certificate (Sanchaypatra) Tk. 200,000. He has contributed Tk. 5,000 per month to a Deposit Pension Scheme (DPS) opened in Sonali Bank.

He has contributed Tk. 30,000 to the Bangladesh Government's Zakat Fund.

Donated Tk. 5,000 to the Bangladesh Muktijuddho Jadughar (Liberation War Museum). He has made the following investments in the Dhaka Stock Exchange (Through IPO Tk. 20,000; Purchase of

secondary shares of public limited companies Tk. 15,000; Purchase of debentures Tk. 5,000, Purchase of shares of a mutual fund Tk. 8,000 & zero-coupon bond Tk. 10,000)

He has purchased additional shares from a private limited company Tk. 15,000; a co-operative society Tk. 10,000; and a partnership firm Tk. 20,000. He also purchased Gold Tk. 200,000 and land Tk. 400,000

Contribution to Charitable Hospital in Feni Tk. 20,000, in Dhanmondi, Dhaka 30,000.

Contribution to Red Crescent Society Tk. 40,000

Here, Eligible amount of tax rebate will be lower of (a), (b) and (c):

3% of Total income (22,00,000 × 3%)

15% of actual investment allowance as per 6th Schedule, Part 3 (5,44,000 × 15%)

Tk. 10,00,000

ſ	Tk.	66,000
İ		81,600
		10,00,000

So, the eligible amount of tax rebate is Tk. 66,000.

Note: (1) Life insurance premium paid for father is not an investment allowance. (2) Purchase of private limited company, co-operative society and firm's share is not investment allowance. (3) Purchase of gold and land are not investment allowance. (4) Donation to charitable institutions in city corporation area is not investment allowance

Workings: Actual investment allowance as per sixth schedule, Part 3:

Life insurance premium paid:

Own Tk. 25,000 (Max. limit 10% of policy value i.e., Tk. 20,000) Spouse Tk. 15,000 (Max. limit 10% of policy value i.e., Tk. 20,000) Employee's contribution to Rec. Prov. Fund (480,000 × 10%)

Tk.	20,000
	15,000
	48,000

Employer's contribution to Rec. Prov. Fund (480,000 x 10%) 48.000 Purchase of 5-year Bangladesh Sanchaypatra 200,000 DPS @ Tk. 5,000 per month i.e., Tk. 60,000 (Max. limit Tk. 120,000) 60:000 Contribution to Govt. Zakat Fund 30.000 Donated to the Bangladesh Muktijuddho Jadughar 5.000 Investment in Dhaka Stock Exchange: (20,000 + 15,000 + 5,000 + 8,000 + 10,000) 58,000 Contribution to Charitable hospital in Feni 20,000 40,000 Contribution to Red Crescent Society Tk. 544,000 Total investment

Chapter - 3 Income, Exemptions, & Allowances

case 5: Mrs. Sumona's total income is Tk. 14,00,000 in the current income year. She has made the following investments and contributions during the income year and claimed for tax rebate.

Contribution of life insurance premiums: For own Tk. 25,000 (Policy value Tk. 200,000); For 20 years old son Tk. 15,000 (Policy value Tk. 200,000); For 16 years old daughter Tk. 12,000 (Policy value Tk. 100,000); For her mother Tk. 18,000 (Policy value Tk. 200,000).

She has contributed 10% of his basic salary to the unrecognized provident fund (URPF) and Tk. 30,000 to his Office welfare Fund. The annual basic salary for the income year is Tk. 480,000.

She has purchased 3-year monthly profit-based Bangladesh Savings Certificate (Sanchaypatra) Tk. 200,000.

Purchase of Land Tk 200,000 & Gold Tk. 100,000

Contributed Tk. 4,000 per month to a DPS in Dhaka Bank and Tk. 200,000 in FDR of Rupali Bank Limited.

Donated Tk. 5,000 to a local kindergarten school and Tk. 10,000 to Baitul Mukarram Mosque

Contribution to Bangabandhu Memorial Museum Tk. 20,000 and to government zakat fund Tk. 25,000

Paid Tk. 100,000 as the Tuition fee for her university admitted son.

Purchase prize bond of Tk. 10,000 and membership of Dhaka Club Tk. 200,000

Purchase of government treasury bill Tk 100,000

Here, Eligible amount of tax rebate will be lower of (a), (b) and (c):

3% of Total income (14,00,000 × 3%)

15% of actual investment allowance as per 6th Schedule, Part 3 (4,23,000 × 15%)

Tk. 10,00,000

Tk.	42,000
	63,450
1	0,00,000

So, eligible amount of tax rebate amount will be Tk. 42,000.

Note: Life insurance premium paid for non-minor child (i.e., more than 18 years old), contribution to URPF, contributed to Office Welfare Fund, purchase of gold and land, donation to local kindergarten school, investment in FDR, Dhaka Club membership, payment of university tultion fee for children, purchase of prizebond, and donation to Baitul Mokarram Mosque is not allowable investment for tax rebate.

Workings: Actual investment allowance as per sixth schedule, Part B:

Life insurance premium paid

Tk.	20,000
1	10,000
	200,000
	48,000
	20,000
	25,000
	100,000
Tk.	423,000

Bangladesh Income Tax - Theory and Practice



Identify the following items as either tax credit income or tax exempted income: Income Identify the following items as either tax create meaning to the following items as either tax create means. Contribution to recognized from property under trust, Income of a local government, Contribution to recognized from property under trust, income of a local government of primary provident fund, gratuity. Investment in savings certificate and Purchase of primary

It is one kind of special scheme taken by NBR to enhance rapid industrialization in It is one kind or special scheme and the second second in Bangladesh. Under this, some specific newly established industrial undertakings are Bangladesh. Under this, some specific are tax upto a certain period subject to the given exemption from payment of income tax upto a certain period subject to the given exemption from payment. As per section 15(b) of the ITO, 1922, Tax Holiday fulfillment of some conditions. As per section 15(b) Scheme was first introduced in Pakistan in 1959. After the independence of Scheme was instance of Bangladesh, this scheme was repealed in 1972 by an ordinance. But again, to boost rapid industrialization in the country, this scheme has again re-introduced in 1974 rapid industrialization in the ITO, 1922. In the ITO, 1984, the government retained the introducing Sec. 14(a) in the ITO, 1922. In the ITO, 1984, the government retained the scheme as per section 45, 46 and 47. Considering its importance, in the new Income Tax Act 2023 the scheme has also been retained in Chapter 3 of Part 6 (Sections 81 -85) and Part 4 of Sixth Schedule. The main objectives of this scheme are to encourage the formation of domestic capital as well as attracting FDI to enhance the rapid industrialization of the country.

Industrial Undertakings eligible to avail the Tax Holiday [Part 4, 6th

As per Para 1, Part 4 of the 6th Schedule, for the purpose of the tax holiday the following nature of "Industrial undertaking" engaged -

- ☐ in the production of: active pharmaceuticals ingredient industry and radio pharmaceuticals industry; agricultural machineries; automatic bricks; automobile; barrier contraceptive and rubber latex; basic components of electronics (e.g. resistor, capacitor, transistor, integrator circuit, multilayer PCB, etc.); bi-cycle including parts thereof; bio-fertilizer; biotechnology based agro products; boiler including parts and equipment thereof; compressor including parts thereof; computer hardware; furniture; home appliances (blender, rice cooker, microwave oven, electric oven, washing machine, induction cooker, water filter etc.); insecticides or pesticides; leather and leather goods; LED TV; locally produced fruits and vegetable processing; mobile phone; petrochemicals; pharmaceuticals; plastic recycling; textile machinery; tissue grafting; toy manufacturing; tyre manufacturing; electrical transformer; artificial fiber or manmade fiber manufacturing; automobile parts and components manufacturing; automation and robotics design, manufacturing including parts and components thereof; artificial intelligence based system design and/or manufacturing; nanotechnology based products manufacturing; aircraft heavy maintenance services including parts manufacturing.
- processing and preservation of locally produced fruits and vegetable;

☐ tissue grafting, development of organic technology and radioactive (diffusion) application industry (i.e. development of polymer or annihilation of polymer or food preservation or sterilization of medical items)

☐ Any other industrial undertaking as specified by the board through SROs.

But for the purpose of this section, the abovementioned industrial undertakings must be set up in Bangladesh and starts its commercial operation between 1st July, 2020 to 30th June, 2025 (both days inclusive).

Exempted incomes of Industrial Undertaking's eligible to avail the Tax Holiday [Part 4, 6th Schedule, Para 2]

As per Para 1 of Part 4, 6th Schedule, the income, profits or gains of an industrial undertaking set up in Bangladesh between specified periods are eligible for tax holiday subject to fulfillment of specified conditions. Income earned from any other sources (not included in Para 1) will not be considered for this purpose. It is provided that any industry engaged in the production of abovementioned items in city corporation areas or Paurashavas of district headquarters, Rangamati, Bandarban and Khagrachari will not be eligible for tax holiday scheme. Tax Holiday option will be available for the industrial undertakings situated in:

☐ For 10 years - Districts of other divisions excluding Dhaka and Chittagong (excluding City Corporation area), Rangamati, Bandarban and Khagrachari districts:

Year	1 st	1 st 2 nd	3rd 4	4 th	th 5 th	6 th	7 th	8 th	9 th	10 th
Exemption Rate	90%	90%	75%	75%	50%	50%	50%	25%	25%	25%

5 Years exemption: Dhaka and Chattogram divisions (except City Corporation area)

Year	1 st	2 nd	3rd	4 th	5 th
Exemption Rate	90%	80%	60%	40%	20%

Conditions for Approval of Tax Holiday for Industrial Undertakings and Physical Infrastructure Facility [Section 81]

The profits and gains of the industries enjoying tax holiday will be computed in the same manner as is applicable to income chargeable under the head "Income from business" subject to the fulfilment of the conditions specified in Part 4 of the 6th Schedule and under Chapter 3 of Part 6 in the ITA, 2023 [S 81(1)]. Incomes eligible for tax holiday will not be included in the total income of the assessee, but should be shown in the respective part of the return [S 81(2)]

However, as per section 81(3) the conditions to avail tax holiday facility for an industrial undertakings or physical infrastructure facility are:

☐ That the industry is owned and managed by-

	Chapter - 3 Income, Exemptions, C.
Bangladesh Income Tax - Theory and Practice a body corporate established by or under an Act of Parliament with its head a body corporate established by or under an Act of Parliament with its registered a body corporate established by or under an Act of Parliament with its registered a body corporate established by or under an Act of Parliament with its head a body corporate established by or under an Act of Parliament with its head	 Any entity, directly or indirectly, controls more than 25% of the shares of another entity; or
a body corporate established by or under an about companies Act, 1913 or 1994 with its registered office in Bangladesh. A company as defined in the Companies Act, 1913 or 1994 with its registered office in Bangladesh and having a subscribed and paid-up capital of not less are in Bangladesh and having a subscribed and paid-up capital of not less are in Bangladesh and having a subscribed and paid-up capital of not less are in Bangladesh and having a subscribed and paid-up capital of not less are in Bangladesh and having a subscribed and paid-up capital of not less are in Bangladesh.	Same person or persons, couple and descendants, directly or indirectly,
A company as defined in the ving a subscribed and part of the subscribed and having a subscribed and part of the subscribed and p	Both the entities are members of the same group. Fair market value means the price would ordinarily be fetched on sale in the open market between two unrelated parties.
than 1K. 20 the	Control Warth desired administrative 27
That the said undertaking is not formed by transfer to a new business of any machinery reconstitution of business already in existence, reconstitution of business which was being carried on in Bangladesh at any time. The said undertaking is not formed by transfer to a new business of any machinery reconstitution.	Determination of Income of an Industry Enjoying Tax Holiday [Section 84]
The said undertaking which was being carried	
or plant used in business which was or plant used in business which was business. before the commencement of the new business. before the commencement of the new business. That the said undertaking has (a) take TIN; (b) maintained accounts according to the prescribed manner of this ACT; (c) maintained separate books of accounts.	☐ The profits/gains of the said undertaking shall be computed separately from other income, profits and gains of the assessee.
the prescribed manner	the income, profits and gains of the assessed. the income, profits and gains of the undertaking to which this section applies shall be computed in the same manner as is applicable to income chargeable under the
Approval Procedure of Tax Holiday by the Board [Section 65] A business entity shall apply in the prescribed manner within a period of not more than 6 months from the commencement of its commercial activities for availing of tax 6 months from the Commencement of its commercial activities from the date of 6 months from the NBR shall make its decision within 60 days from the date of 6 months from the NBR shall make its decision within 60 days from the date of 6 months from the NBR shall make its decision within 60 days from the date of 6 months from the NBR shall make its decision within 60 days from the date of 6 months from the NBR shall make its decision within 60 days from the date of 6 months from the NBR shall make its decision within 60 days from the date of 6 months from the NBR shall make its decision within 60 days from the date of 6 months from the NBR shall make its decision within 60 days from the date of 6 months from the NBR shall make its decision within 60 days from the date of 6 months from the NBR shall make its decision within 60 days from the date of 6 months from the NBR shall make its decision within 60 days from the date of 6 months from the NBR shall make its decision within 60 days from the date of 6 months from the NBR shall make its decision within 60 days from the date of 6 months from the NBR shall make its decision within 60 days from the 10 months from 10 months f	head "Income from business" State Control In respect of depreciation, only the allowances for normal depreciation specified
6 months from the common and the decision within 60 days from the date of	in Part I of the Third schedule shall be allowed. Where the assessee sustains a loss from such undertaking, it shall not be set off against the profits and gains of the said undertaking's unit on which no tax holiday
and that the Board shall not reject	against the profits and gains of the said undertaking 3 different said in the profits and gains of the profits and gains of the said in the profits and gains of the said in the profits and gains of the profits and gains of the said in the profits and gains of the profits
an application without giving the application may be made within	1, and a life of the distribution of undertaking resulting from disallowance made under section 55, and
any person is aggrieved by the Board's decision, an application may person is aggrieved by the Board's decision for revision of its previous four months from the date of receipt of the Board's decision for revision of its previous decision/order. The Board may pass such order in relation thereto as it thinks fit.	applied at regular rate on such incomes.
- w Gration 831	Withdrawal and Cancellation of Exemptions [Section 85] As per section 85, for the following reasons the tax exemption facility can be withdrawn
Where an undertaking enjoying tax horiday is engaged	or cancelled by the NBR:
making an assessment of the said undertaking it the beat and	assessment, the DCT is satisfied that any of the relevant conditions in the second conditions in
due to such transaction, the income of the said sister content and understated compared to the real income,	year and the DCT may determine the tax payable for such year in regular members
said understated amount of the sister concern's income shall be considered as the income of the undertaking enjoying tax holiday and to be shown under "Income from	Any such undertaking approved under this section may, not later than one year from the date of approval, apply in writing to the Board for the cancellation of such
Other Sources" [Section 83(1)]. For the purposes of this Section 83, Any entity will be considered as the "Associated Entity" of the undertaking	approval, and the Board may pass such orders thereon as it may deem fit. The Board in the public interest may cancel or suspend fully or partially any
enjoying tax holiday, if- Any entity, directly or indirectly, or by one or more intermediaries,	exemption allowed under this section.
participates in the management or control or equity of another entity; or Same person or persons, couple and descendants, directly or indirectly or by	Exemption of Income of Co-operative Societies [Section 79] Tax shall not be payable by a co-operative society in respect of —
one or more intermediaries, participate in the management or control or equity of both the entities.	tax shart not be paymented by the entire income from business carried on by it, if it is engaged in: producing agricultural commodities;

Bangladesh Income Tax - Theory and Practice

- operation of cottage industry;
- marketing of agricultural produce of its members;
- Explanation For the purpose of this section, "cottage industry" means an Explanation - For the purpose enterprise, not being owned by a joint stock company which fulfils the following it is basically an enterprise in which the owner is the investor, a full-time conditions, namely: -
 - the capital invested in plant, machinery and equipment does not exceed 25
 - [twenty five lakh taka] at any time during the income year;
 - the number of workers, including the owner and the members of his family. shall not exceed 15 [fifteen].

Tax Holiday at Export Processing Zone (EPZ)

To enhance the economic development and industrialization in the country, Bangladesh government has passed the Bangladesh Export Processing Zones Authority Act in 1980. As per section 10 of this act, the government can declare a specific area which is set to establish industries as Export Processing Zone (EPZ).

Income of any industry set up in any EPZ will enjoy tax exemption facilities at specified rates for several years from the date of commencement of commercial production of the said industry. The exemptions have been granted to the industries set up in any EPZ under the notifications issued by the Internal Resources Division of the Ministry of Finance through various S.R.Os. The special facilities for establishment of Industry in

☐ Exemption of income of any industry set up in any Export Processing Zone [S.R.O. No. 219-LAW/IT/2012 dated 27th June, 2012]: Income of any industry set up in any EPZ declared u's 10 of BEPZA Act, 1980 has been exempted for a period of $5\ \mathrm{to}\ 7\ \mathrm{years}$ from the date of commencement of commercial production of the said industry (established on January 01, 2012 and onwards) as follows:

		Exemption Rule
5 years exemption: Dhaka &	For the first 2 years	100% of income
Chittagong divisions (excluding	For the 3 rd year	50% of income
Rangamati, Bandarban and	For the 4th year	50% of income
Khagrachari)	For the 5th (last) year	25% of income

7 years exemption: Other divisions		Fo
and Rangamati, Bandarban and	-	Fc
Khagrachari districts		Fc

	1000/ - 6 income
For the first 3 years	100% of income
For the next 3 years	50% of income
For the 7th (last) year	25% of income

Examplion Pala

These organizations must maintain proper accounts and submit income tax return within stipulated time.

Accelerated depreciation upto 100% for plant or machinery used in specified hi-tech electronic industry [S.R.O. No. 269-L86 dated 1st July, 1986]: Machinery or Plant other than office appliances and road transport vehicles (not having been previously used in Bangladesh) used in the specified hi-tech electronic industry set up in any of the EPZs shall be allowed to enjoy Accelerated depreciation upto 100% of the cost within the tax exemption period subject to submission of the application for such facility to the NBR within four months of the installation of machinery or plant.

3.14

CLO

cond in

TAX REBATE ON CSR RELATED EXPENDITURES

10% rebate is allowed to the corporate organizations on their corporate social responsibility related expenditures subject to the fulfillment of some prescribed conditions. The scope areas of the corporate social responsibility (CSR) to avail this rebate are as follows if any contribution is made to any organization engaged in: (SRO 229-AIN/IT/2011 dated 04.07.2011 later updated by SRO 223-AIN/IT/2012 dated 27.06.2012 & SRO 186-AIN/IT/2014 dated 01.07.2014)

Donation through any government bodies to the people of areas affected by natural
calamities like Cyclone, Earthquake, Hurricane, Flood etc.

	ld home	foundation	and	management,
--	---------	------------	-----	-------------

☐ Welfare of mentally or physically disable people,

Educational institution for street / homeless children,

building houses for people living in slums,

☐ Donation to social organizations involved in building public awareness about women-right and dowry system,

□ Donation to social organizations performing welfare of orphan/homeless children, □ Donation to organizations involved in research about liberation war, campaign to uphold the spirit of liberation war and welfare of freedom fighters,

☐ Improving sewerage facilities in Chittagong hilltract, alluvial land, river breakage

Donation to organizations give treatment of hare-lipped, cataract, cancer, leprosy.

□ Donation to organizations serving treatment to the Acid Victims,

 Specialized hospital established for serving the poor people (free medical facilities) and improving quality e.g., Cancer, Lever, Kidney, Thalasemia, Eye and Cardio.

Donation to public universities;

 Donation for promoting technical and vocational education for poor meritorious students through any government approved educational institution;

☐ Donation to government or MPO included Private educational institution to

establish lab and arrange training for IT, Computer and English education; Donation to the organizations engaged in promoting technical and vocational

education for unskilled or semi-skilled workers for manpower export; Donation to organizations engaged in infrastructure development and training for

national sports level. Donation to built or under constructed national level museums established in the memory of the liberation war.

	of Father of the Nation:
. т	Donation to the non-profitable organizations established for the velfare of Donation to the non-profitable organizations established for the velfare of Donation to the non-profitable organizations established for the velfare of Donation to the non-profitable organizations established for the velfare of
Rangladesh Income i	Donation to any national level institution set up Donation to any national level institution set up Donation to any national level institution set up Donation to the non-profitable organizations established for the welfare of awareness and rehabilitation of HIV, AIDS or intoxication setablished for the welfare of awareness and rehabilitation of HIV, are organizations established for the welfare of awareness and rehabilitation of HIV, are organizations established for the welfare of awareness and rehabilitation of HIV, are organizations established for the welfare of awareness and rehabilitation of HIV, are organizations established for the welfare of awareness and rehabilitation of HIV, are organizations established for the welfare of awareness and rehabilitation of HIV, are organizations established for the welfare of awareness and rehabilitation of HIV, are organizations established for the welfare of awareness and rehabilitation of HIV, are organizations established for the welfare of awareness and rehabilitation of HIV, are organizations established for the welfare of awareness and rehabilitation of HIV, are organizations established for the welfare of awareness and rehabilitation of HIV, are organizations established for the welfare of awareness and rehabilitation of HIV, are organizations established for the welfare of awareness and rehabilitation of HIV, are organizations established for the welfare of the non-profitable private organizations.
	Donation to any national testing properties of awareness and rehabilitation of HIV, AIDS or intoxication affected people. Donation to the non-profitable private organizations established for the welfare of awareness and rehabilitation of HIV, AIDS or intoxication affected people. Donation to the non-profitable private organizations established for the welfare of awareness and rehabilitation of HIV, AIDS or intoxication affected people.
	Donation to habilitation of the sanizations established
_	awareness and renaturated private organization of the non-profitable private organization to the non-profitable private organization of the non-profitable private organization of the non-profitable private organization of the non-profitable private organization org
	Donation to any from human Highed 101 any
	women and children approved fund estational event.
	Donation to so any tournament
Co	nditions for Tax Rebate on CSR related expenditures, an organization has to fulfill avail the 10% tax rebate on CSR related expenditures, an organization has to fulfill avail the 10% tax rebate on CSR related expenditures, an organization has to fulfill available to the control of the contr
To	avail the 10 / 0 and 220-AIN/11/20
the	following conditions and 27 06.2012 & SKO 18 state will be allowed will be
SR	O 223-AIN/IT/2012 dated 27.50th
	following conditions: (SRO 2227 May 17/2014 dated 01/37/2014) following conditions: (SRO 223-AIN/IT/2012 dated 27.06.2012 & SRO 186-AIN/IT/2014 dated 01/37/2014) O 223-AIN/IT/2012 dated 27.06.2012 & SRO 186-AIN/IT/2014 dated 01/37/2014) o 223-AIN/IT/2012 dated 27.07/2014 dated 01/37/2014 dated 01/37/2014) of 223-AIN/IT/2012 dated 27.07/2014 dated 01/37/2014 dated 01/37/2014) of 223-AIN/IT/2012 dated 27.07/2014 dated 01/37/2014 dated 01/37/2014) of 223-AIN/IT/2012 dated 27.07/2014 dated 01/37/2014 dated 01/37/2014 dated 01/37/2014) of 223-AIN/IT/2012 dated 27.06.2012 dated 27.06
	- amployees loguing
п	
٦	It should pay salary and wages to its employed. It should pay salary and wages to its employed. It should pay salary and wages to its employed. It should pay salary and wages to its employed. The firm must pay the relevant taxes like Income tax, VAT etc. and loan. The firm must pay the relevant taxes like Income tax, VAT etc. and loan.
	The firm must pay the
_	t Ilment on a regular dustri
	installment on a regular basis. It can only contribute to government approved organizations. It can only contribute to government approved organization for the DCT regarding the The organization must submit the relevant documents to the DCT regarding the
п	The organization must subtile the
_	expenditure.
	It must comply with the provisions of the Bangladesh Edebergers. It must comply with the provisions of the Bangladesh Edebergers in the books of This expenditure cannot be considered as admissible expenses in the books of
п	This expenditure cannot be considered
	accounts; The donation for CSR activities must be paid through banking channel by a
	The donation for CSR activities must be paid through
	company. This SRO will be applicable from the assessment year 2014-15.
Ev	ample: X ltd, a private limited co. has presented the following information:
Ta	CCD estimities
Ne	tal expenditure on CSR activities Tk. 10 crore t income as per audited income statement 27.5%
	rporate tax rate
He	re, total income for assessment purpose is (10 + 1) Tk. 11.00 crore
(C	SR expenditure is inadmissible expense, so added back with Net Income)
Gr	oss Tax liability on the basis or regular rate* (11 crore × 27.5%) 3.025 crore
	aximum limit of the CSR expenditure, on which rebate will be allowed:
	20% of the total income of the company (11 × 20%) Or. Tk. 12 crore, whichever is lower 2.20 crore 12.00 crore
Ta	ex rebate: Since the company's actual CSR expenditure (Tk. 1 crore) is less than the maximum limit (Tk. 2.2. crore), it will get 10% rebate on
	CSR expenditure of Tk. 1 crore Tk. 10 lac
	et tax (Gross Tax less Tax Rebate) = Tk. 3.025 crore – Tk. 10 lac 2.925 crore
*	Assuming that the tax liability is more than minimum tax amount applicable for a company.

KEY POINTS	
KEIT	Periodical monetary return coming in with some sort of expectation and definite
, 12 () ·	sources is income. Income must come from outside and must be earned but may have already been received or not.
	The distinction between capital and revenue nature of income is important for the purpose of income tax as income tax is basically charged on income with
p 0	revenue nature. For a non-resident, only the income received or deemed to be received and income accrues or arises or deemed to accrue or arise in Bangladesh is to be included in the total income.
	The term "Total World Income" is relevant for a non-resident only as non-resident assessee pays tax on income earned in Bangladesh at the rate applicable
	to his total world income. Tax rebate is allowed of an amount equal to lesser of lesser of: (a) 3% of Total Income excluding any income on which a tax exemption or a reduced rate or minimum tax rate is applicable.; (b) 15% on total amount of investment allowance or contribution made by the assessee within the scope of the Sixth Schedule, Part 3; or (c) Tk. 10,00,000 made by the assessee within the scope of the Sixth Schedule, Part 3; or (c) Tk. 20,00,000 made by the assessee within the scope of the Sixth Schedule, Part 3; or (c) Tk. 10,00,000 made by the assessee within the scope of the Sixth Schedule, Part 3; or (c) Tk. 10,00,000 made by the assessee within the scope of the Sixth Schedule, Part 3; or (c) Tk. 10,00,000 made by the assessee within the scope of the Sixth Schedule, Part 3; or (c) Tk. 10,00,000 made by the assessee within the scope of the Sixth Schedule, Part 3; or (c) Tk. 10,00,000 made by the assessee within the scope of the Sixth Schedule, Part 3; or (c) Tk. 10,00,000 made by the assessee within the scope of the Sixth Schedule, Part 3; or (c) Tk. 10,00,000 made by the assessee within the scope of the Sixth Schedule, Part 3; or (c) Tk. 10,00,000 made by the assessee within the scope of the Sixth Schedule, Part 3; or (c) Tk. 10,00,000 made by the assessee within the scope of the Sixth Schedule, Part 3; or (c) Tk. 10,00,000 made by the assessee within the scope of the Sixth Schedule, Part 3; or (c) Tk. 10,00,000 made by the assessee within the scope of the Sixth Schedule, Part 3; or (c) Tk. 10,00,000 made by the assessee within the scope of the Sixth Schedule, Part 3; or (c) Tk. 10,00,000 made by the assessee within the scope of the Sixth Schedule, Part 3; or (c) Tk. 10,00,000 made by the assessee within the scope of the Sixth Schedule, Part 3; or (c) Tk. 10,00,000 made by the assessee within the scope of the Sixth Schedule, Part 3; or (c) Tk. 10,00,000 made by the assessee within the scope of the Sixth Schedule, Part 3; or (c) Tk. 10,00,000 made by the assessee within the scope of the Sixth Sched
	Some types of income are included in total income, but tax rebate is granted on these incomes at an average rate is commonly known as tax free income.
	Residential Income from property held under trust, the income of a Local government, pension, gratuity etc are example of tax-free income as stated in sixth schedule part – 1 of the ITA, 2023.
	An assessee can get tax rebate on certain investments as mentioned in sixth schedule part – 3 of the ITA, 2023.
	Assessment of income is basically done under different heads specified w/s 30? (

MULTIPLE CHOICE QUESTIONS

- According to section 2(13) of Income Act, 1984 income includes any income, profit or gain that is
 chargeable to tax under any head specified in section
 - (a) 2
- (b) 30
- (c) 15
- (d) 21

- 2. Followings are the example of capital receipts except -
 - (a) sale of land

- (b) compensation for termination of job
- (c) compensation for loss of goods in transit
- (d) insurance claim against loss of capital asset
- 3. Followings are the example of capital expenditure except
 - (a) cost of reconstructing business premises (b) repair expenses of machineries
 - (c) purchase of mining rights
- (d) acquisition of the goodwill of any business.
- 4. Which of the following is not included in the total income of a non resident?
 - (a) Income received in Bangladesh
 - (b) Income accrues or arises or deemed to accrue or arise in Bangladesh
 - (c) Income accrues or arises outside Bangladesh

(c) 10% (d) 7.50% (a) 5% (a) 5% (e) 7.50% (a) 5% (e) 6.50lowing items as specified in Part 1 of Sixth Schedule are exempted from property held under trust (d) festival bonus (e) pension (e) pension (f) 7k 10,00,000 (c) 3% of T1 (d) 10% (d) festival bonus (d) festival bonus (e) pension (e) 10% (f) 7k 10,00,000 (c) 3% of T1	nents ebtness ints (d) 15% in tax except — cal government (d) None of policy va (d) none of th	T F T F T F T F F T F F
(d) Income deemed to the concept of itotal world income is relevant to the concept of itotal world income. (a) resident assessee (c) non resident Bangladeshi assessee (d) non resident foreign (d) non resident foreign (d) non resident foreign (e) this continued business (for itotal allowance got from the employer (a) Medical allowance got from the employer (d) Cancellation of inde (d) Cancellation of inde (d) Cancellation of inde (d) Cancellation of inde (d) Sixth (d) Cancellation of inde (d) Cancellation of in	nents ebtness ints (d) 15% in tax except— cal government (d) None of policy va (d) none of the	T F T F T F T F F T F F
(d) Income deemed to the concept of itotal world income is relevant to the concept of itotal world income. (a) resident assessee (c) non resident Bangladeshi assessee (d) non resident foreign (d) non resident foreign (d) non resident foreign (e) this continued business (for itotal allowance got from the employer (a) Medical allowance got from the employer (d) Cancellation of inde (d) Cancellation of inde (d) Cancellation of inde (d) Cancellation of inde (d) Sixth (d) Cancellation of inde (d) Cancellation of in	nents ebtness ints (d) 15% in tax except— cal government (d) None of policy va (d) none of the	T F T F T F T F F T F F
(a) resident assessee (c) non resident Bangladeshi assessee (c) non resident Bangladeshi assessee (d) nonresident Bangladeshi assessee (e) non resident Bangladeshi assessee (e) nonresident Bangladeshi assessee (e) nonresident Bangladeshi assessee (e) Nich of the following items is not a deemed income? (a) Medical allowance got from the employer (b) Cancellation of inde (c) Income from discontinued business (c) Income from discontinued business (d) Cancellation of inde (d) Cancellation of ind	nents ebtness ints (d) 15% in tax except— cal government (d) None of policy va (d) none of the	T F T F T F T F F T F F
(a) resident Bangladeshi assessed (c) non resident Bangladeshi assessed (c) nor resident Bangladeshi assessed (c) nor resident Bangladeshi assessed (d) Unrecorded investment (a) Medical allowance got from the employer (a) Medical allowance got from the employer (c) Income from discontinued business (c) Income from discontinued business (c) Income from discontinued business (c) Income from gother than the property of the following items as specified in Part 1 of Sixth Schedule are exempted from (d) festival bonus (e) pension (d) festival bonus (d) festival bonus (c) pension (e) Under no circumstances tax rebate on investment allowance may exceed. 9. Under no circumstances tax rebate on investment but shall not exceed (a) 15% on investment (b) Tk. 10,00,000 (c) 3% of Tl (a) 15% (b) 12.50% (c) 10% TRUE (T) OR FALSE (F) IDENTIFICATION 1. Legality is not an important factor to consider an item as income. 2. Compensation received for harmful effect of a trading asset is a capital received for the property of	nents ebtness ints (d) 15% in tax except— cal government (d) None of policy va (d) none of the	T F T F T F T F F T F F
(c) non resident business is not a deemle which of the following items is not a deemle with the following items as specified in Part 1 of Sixth Schedule are exempted from (a) 5% 8. Following items as specified in Part 1 of Sixth Schedule are exempted from (a) income from property held under trust (b) the income of a Loc (d) festival bonus (e) pension 9. Under no circumstances tax rebate on investment allowance may exceed (a) 15% (b) 12.50% (c) 10% TRUE (T) OR FALSE (F) IDENTIFICATION 1. Legality is not an important factor to consider an item as income. 2. Compensation received for harmful effect of a trading asset is a capital received fourth of the contribution to a Recognized Provident Fund is an allowable investment. 4. Contribution to Muktijuddho Jadughar is an allowable investment.	nts (d) 15% n tax except — cal government (d) None of policy va (d) none of th	T F T F T F T F F T F F
(a) Medical allowance got from the ellipso (c) Income from discontinued business (c) Income from discontinued business (d) Cancellation of the ellipso (c) Income from discontinued business (e) Income from discontinued business (e) To calculate tax rebate, an assessee considers (c) 10% (g) 5% (g) 5% (g) Following items as specified in Part 1 of Sixth Schedule are exempted from (d) the income of a Loc. (d) festival bonus (e) pension (f) Under no circumstances tax rebate on investment allowance may exceed- (g) 15% on investment (h) Tk. 10,00,000 (c) 3% of TI (a) 15% (b) 12.50% (c) 10% TRUE (T) OR FALSE (F) IDENTIFICATION 1. Legality is not an important factor to consider an item as income. 2. Compensation received for harmful effect of a trading asset is a capital received for the income of a Loc. (d) festival bonus (c) 10% TRUE (T) OR FALSE (F) IDENTIFICATION 2. Contribution to a Recognized Provident Fund is an allowable investment.	nts (d) 15% n tax except — cal government (d) None of policy va (d) none of th	T F T F T F T F F T F F
(a) Medical Medical (c) Income from discontinued business (c) Income from discontinued business (c) Income from discontinued business (c) 10% (d) 7.50% (e) 7.50% (e) 5% (e) 7.50% (f) 7.5	(d) 15% n tax except — cal government (d) None of policy va (d) none of th	T F T F T F T F F T F F
(a) Medical Medical (c) Income from discontinued business (c) Income from discontinued business (c) Income from discontinued business (c) 10% (d) 7.50% (e) 7.50% (e) 5% (e) 7.50% (f) 7.5	(d) 15% n tax except — cal government (d) None of policy va (d) none of th	T F T F T F T F F T F F
(c) Income interval. (a) 5% (b) 7.50% (c) 10% (d) 5% 8. Following items as specified in Part 1 of Sixth Schedule are exempted from (a) income from property held under trust (b) the income of a Loc (d) festival bonus (c) pension 9. Under no circumstances tax rebate on investment allowance may exceed- (a) 15% on investment (b) Tk. 10,00,000 (c) 3% of TI (a) 15% on investment is an allowable investment but shall not exceed (a) 15% (c) 10% TRUE (T) OR FALSE (F) IDENTIFICATION 1. Legality is not an important factor to consider an item as income. 2. Compensation received for harmful effect of a trading asset is a capital received. 3. Contribution to a Recognized Provident Fund is an allowable investment.	(d) None of policy va (d) none of th	T F T F T F T F F T F F
(a) 5% 8. Following items as specified in Part 1 of Stxti (b) the income of a Loc (a) income from property held under trust (b) gension 9. Under no circumstances tax rebate on investment allowance may exceed- (a) 15% on investment (b) Tk. 10,00,000 (c) 3% of TI (a) 15% (c) 10.00 (c) 3% of TI (a) 15% (c) 10% TRUE (T) OR FALSE (F) IDENTIFICATION 1. Legality is not an important factor to consider an item as income. 2. Compensation received for harmful effect of a trading asset is a capital received for the contribution to a Recognized Provident Fund is an allowable investment.	(d) None of policy va (d) none of th	T F T F T F T F F T F F
(a) 5% 8. Following items as specified in Part 1 of Stxti (b) the income of a Loc (a) income from property held under trust (b) gension 9. Under no circumstances tax rebate on investment allowance may exceed- (a) 15% on investment (b) Tk. 10,00,000 (c) 3% of TI (a) 15% (c) 10.00 (c) 3% of TI (a) 15% (c) 10% TRUE (T) OR FALSE (F) IDENTIFICATION 1. Legality is not an important factor to consider an item as income. 2. Compensation received for harmful effect of a trading asset is a capital received for the contribution to a Recognized Provident Fund is an allowable investment.	(d) None of policy va (d) none of th	T F T F T F T F F T F F
(a) income teach (c) pension 9. Under no circumstances tax rebate on investment allowance may exceed- (a) 15% on investment (b) Tk. 10,00,000 (c) 3% of TI (a) 15% on investment (b) Tk. 10,00,000 (c) 3% of TI (a) 15% (c) 10% (c) 10% TRUE (T) OR FALSE (F) IDENTIFICATION 1. Legality is not an important factor to consider an item as income. 2. Compensation received for harmful effect of a trading asset is a capital received for the contribution to a Recognized Provident Fund is an allowable investment. 4. Contribution to Muktijuddho Jadughar is an allowable investment.	(d) None of policy va (d) none of th	T F T F T F T F F T F F
(a) incontrolled in the process of t	(d) None of policy va (d) none of th	T F T F T F F F F F
(c) pension 9. Under no circumstances tax rebate on investment altorated and the state of the process of the state of the	of policy variety (d) none of the	T F T F T F F F F F
(a) 15% on investment 10. life insurance premium is an allowable investment but shart no consider an item as income. (b) 12.50% (c) 10% TRUE (T) OR FALSE (F) IDENTIFICATION 1. Legality is not an important factor to consider an item as income. 2. Compensation received for harmful effect of a trading asset is a capital received. 3. Contribution to a Recognized Provident Fund is an allowable investment.	of policy variety (d) none of the	T F T F T F F F F F
(a) 15% on investment 10. life insurance premium is an allowable investment but shart no consider in the insurance premium is an allowable investment but shart no consider in the insurance premium is an allowable investment. 11. Legality is not an important factor to consider an item as income. 12. Compensation received for harmful effect of a trading asset is a capital received. 13. Contribution to a Recognized Provident Fund is an allowable investment. 14. Contribution to Muktijuddho Jadughar is an allowable investment.	eipt.	T F T F T F F F F F
10. life insurance premium (b) 12.50% (c) 10% TRUE (T) OR FALSE (F) IDENTIFICATION 1. Legality is not an important factor to consider an item as income. 2. Compensation received for harmful effect of a trading asset is a capital received for h	eipt.	T F T F T F F
TRUE (T) OR FALSE (F) IDENTIFICATION Legality is not an important factor to consider an item as income. Compensation received for harmful effect of a trading asset is a capital received. Contribution to a Recognized Provident Fund is an allowable investment.	eipt.	T 🗆 F
TRUE (T) OR FALSE (F) IDENTIFICATION 1. Legality is not an important factor to consider an item as income. 2. Compensation received for harmful effect of a trading asset is a capital received. 3. Contribution to a Recognized Provident Fund is an allowable investment. 4. Contribution to Muktijuddho Jadughar is an allowable investment.	eipt.	T 🗆 F
 Legality is not an important factor. Compensation received for harmful effect of a trading asset is a capital received. Contribution to a Recognized Provident Fund is an allowable investment. Contribution to Muktijuddho Jadughar is an allowable investment. 	eipt.	T 🗆 F
	g.♥	T DF
DISCUSSION QUESTIONS (DQ)		f income
DISCUSSION QUESTIONS (DQ) Define income as per section 2(13) of the ITA and also identify the ch	naracteristics of	rainet an
	ome tax taw as	ainsi un
OQ3.2 "Nature of income or experiantires recess to	Ori et it	JUM
assessee" – do you agree? Explain. Explain the factors determine (capital or revenue) nature of income an	nd expenditure:	., . 1
DQ3.3 Explain the factors determine (capital of revenue) that are properties of income.		
OQ3.5 Explain the factors determine (ep) and explain each class of income. Classify income based on locality and explain each class of income. Explain the effect of tax-free income and tax credit income on total income.	come and tax I	ability?
DQ3.5 Explain the effect of tax-free income and tax credit income on total income	d non-assessab	e causal
DO3.6 What is causal and non-recurring income? Explain both assessable and	u non-assessae	70
and non-requiring income with example	9 1/2 1 A	
DO3.7 What are the contents of the Sixth Schedule of the ITA, 2023? Do yo	ou think these	contents
are important to assess tax liability of an assessee? Explain.		6
-		
ANOMEDO		
ANSWERS		
ANSWERS	TRUI	E/FALSE
MULTIPLE CHOICE QUESTIONS 1 2 3 4 5 6 7 8 9 10 1		E/FALSE 4 5

	SE	LF – REVIEW 3.1					
	Ch	aracteristics of Income					Culton
		Periodical monetary returnic	oming in	with s	ome sort of expe	ctation and de	efinite
		sources.	a.				
		Income must come from outs	side.				
		Income must be earned but n	nay have	already	been received or	not.	
	reci	npensation received from gol arring in nature whereas composint as it can be recurring.	den hand ensation	Ishake i	s a capital receil	ot because it transit is a re	is not venue
	ben	niture purchased for use is ca effit whereas furniture purchas I and so look like an operating	ed for re	sale is r	evenue expenditi	provide long are as it will r	term not be
	SEI	F – REVIEW 3.2			Tax Exempt	ed Income	
		Tax Credit Income		_	Income from pr	operty under	trust 3
1. F		Contribution to RPF			Income of a local	al governmen	t
		Investment in savings certific	ate .		Gratuity		
		Purchase of primary share		٠	Ciacany		
							1.10
							7.7

Income Tax Authority

*Taxation according to income is the most effective instrument yet devised to obtain just contribution from those best able to bear it and to avoid placing onerous burdens upon the mass of our people." - Franklin Roosevelt

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

CLO 4 l understand the concept of income tax authority

CLO 4.2 identify basic structure of income tax administration

CLO 4.3 classify different types of income tax authority

CLO 4.4 recognize the powers of income tax authority

CLO 4.5 identify the functions of appellate tribunal

CLO 4.6 list the sections applicable to the income tax authorities

CLO 4.7 recall the importance of income tax authority

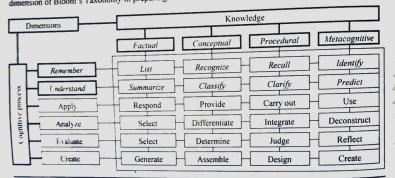
KEY TERMS

111 81111

tax authority, Income Board National Delegation of Revenue, Administrative powers, authorities, DCT, Judicial authorities

Bloom's Taxonomy

This chapter covers (italic) the entire knowledge dimension and the first two levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



INTRODUCTION OF THE PROPERTY O

Income tax authorities hold the sole responsibility to execute the laws relating to income tax applicable in the land and to run various departments formed for streamlining the functions like identification of assessees; computation of taxable income, net tax liability; receiving application in this regard and appeal, listening to complains, hearings; even changing or amending or repealing various sections etc. To ensure efficient administration and to discharge executive and other appellate functions, certain necessary provisions are constituted in the ITA, 2023.

Part 2 (Sections 4 - 12) of the IT Act, 2023 deals with the appointment, power, and responsibilities of various income tax authorities with their respective authority responsibility relationships. The implementation of the provisions of the IT Act, 2023 lies in the hands of these authorities.

The exercise of powers and functions are based on the designation of certain authorities under several posts in the structure. Bangladesh Tax Administration is always changing as the ecosystem in which it operates becomes broader and deeper. mostly owing to the vast increase in digital information flows. Tax administrations are responding to these challenges through the introduction of new technology and analytical tools under several reform initiatives. The government of Bangladesh has made tax reform a major priority for the country as it seeks to achieve its development goals through ensuring a more efficient, transparent, and serviceoriented tax system.

CLO

4.1

4.2

APPOINTMENT OF INCOME TAX AUTHORITIES

The National Board of Revenue (NBR) as the apex body enjoys the power to appoint income tax authorities in accordance with the provisions of the IT Act, 2023 subject to the rules and orders of the government regulating the terms and conditions of service of persons in public services and posts. The board may appoint Chief Commissioner of Taxes, Director General - Inspection, Commissioners (Appeals), Commissioners (Large Taxpayer Unit), Director General - Training, Director General - Central Intelligence Cell, Commissioners, Additional Commissioners, Joint Commissioners of Taxes, Deputy Commissioners of Taxes, Tax Recovery Officers, Assistant Commissioners of Taxes, Additional Assistant Commissioners of Taxes and Tax Inspectors [U/s 4].

Income Tax Authority will be appointed based on the applicable acts and rules. The Board may, based on the applicable rules, appoint and post person(s) to perform administrative functions as income tax authority. The Board may also, subject to the organogram, appoint a necessary number of employees in this regard [U/s (5)]. The Board may also, through its order, delegate the power of one authority to another authority. Subject to such orders or instructions as the Board may, issue rules regarding the delegation and control of the income tax authorities, [U/s 6].

Bangladesh Income Tax - Theory and Practice

TYPES OF INCOME TAX AUTHORITIES 198 (MI TYPES OF INCOME.

For effective financial management it is imperative to understand the functioning, the powers of tax authorities. The Income Tax For effective financial management of the powers of tax authorities. The Income Tax authorities powers, and the limitation on the powers and perform their functions so as powers, and the limitation on the powers and perform their functions so as to prevent are required to exercise their powers and perform their functions so as to prevent are required to exercise their povers and discrimination in collection of taxes eleharassment of assesses, tax-evasion, and taxes etc.

It is a joint role of all these authorities that tax payer abides by the rule mentioned in the It is a joint role of all the latest accordingly. In Bangladesh, income tax authorities may be ITA 2023 and pay their days depending on their functions, namely classified into two major functional groups depending on their functions, namely

administrative and judicial. ☐ Administrative: To look after the total administration of income tax wing starting from the identification of assessees to the collection of taxes from them.

Judicial: To hear the claims of the aggrieved assessees and to give them the verdict as early as possible.

Income Tax Authority

EXHIBIT

Top

Judicial Administrative Appellate Tribunal National Board of Revenue

Chief Commissioner of Tax Directors-General of Inspection (Taxes) Commissioner of Taxes, (Large Taxpayer Unit) Director General (Training) Director General (Central Intelligence Cell) Commissioner of Taxes

Add Com of Taxes (Ins) or Director (CIC) loint Com. of Taxes (Ins), JD (CIC), Dir - Ins

Deputy Commissioner of Taxes or DD (CIC) Tax Recovery Officer Assistant Commissioner of Taxes or AD (CIC) Additional Assistant Commissioner of Taxes Inspector of Taxes

Commissioner of Taxes (Appeal) Appellate Additional Commissioner of Taxes Appellate Joint Commissioner of Taxes

These two authorities with office bearers are depicted in the above chart in order of their respective power, authorities, and responsibilities:

Chapter - 4 Income Tax Authority

RESPONSIBILITIES, ACTIVITIES, AND JURISDICTION

Member (Tax)

According to Section 8(1) of the ITA 2023, subject to the provisions of this Act, the Member (Tax) shall have the authority to carry out the powers and functions, as the Board exercises.

DG (Inspection)

According to Section 8(2) of the ITA 2023, the Directors-General (DG) of Inspection shall perform the following functions, namely -

☐ carry out inspection of progress of activities under this Act;

☐ based on inspection, drafting tax policy reform measures and identifying the area of improvement in respect of tax administration;

furnish opinion and recommendations in form of report; and

such other functions as may be assigned to them by the Board.

DG (Central Intelligence Cell)

According to Section 8(3) of the IT Act, 2023, the Directors-General of Central Intelligence Cell shall perform the following functions, namely -

☐ carry out intelligence works to gather information about taxpayers;

☐ analyze information gathered through intelligence work vis-a-vis concerned A CONTRACTOR AND income tax records;

detect tax evasions, concealments of income and offences as described in Part 13 and Part 15 of Income Tax Act, 2023;

☐ carry out investigations to prove tax evasion/concealment/any other irregularities relating to taxes and to collect evidences in support of tax offences or tax frauds for recovery of tax with penalty and to suggest prosecutions in fit cases;

to carry out functions as authorized by any other law.

The Board may, through order, set the jurisdiction of income tax authority, and any area or other jurisdiction or function assigned to an income-tax authority may be modified or varied, or may be transferred to any other income-tax authority with respect to areas, persons or classes of persons, or cases or classes of cases, or proceeding or classes of proceedings [Section 8(4)]. Board may, through its order, determine the place of assessment for the assesses. Any such transfer as is referred to in clause (4) may be made at any stage of the proceedings and further proceedings may be commenced from the stage at which such transfer takes place. Board may, through its order, determine the place of assessment for the assesses.

Exercise of Jurisdiction by Successor [Section 9]

Where, in respect of any proceeding under this Ordinance, an income-tax authority is succeeded by another, the income-tax authority so succeeding may continue the proceeding from the stage at which it was left by his predecessor.

Bangladesh Income Tax - Theory and Practice

Officers, etc. to Follow Instructions of the Board [Section 10] All officers and other persons engaged in the performance of any functions under this All officers and other persons engaged in the functions, observe and follow such 4. Act shall, in the matter of discharging and may issue from time to time. Provided orders, directions or instructions as the Board may issue from time to time. Provided orders, directions of instruction shall be given so as to interfere with the that no order, direction of the Appellate Additional Commissioners or the Commissioners (Appeals) in the exercise of their appellate functions.

Guidance to the Deputy Commissioner of Taxes [Section 11] In the course of any proceedings under this Act, the Deputy Commissioner of Taxes may be assisted, guided or instructed by any income-tax authority to whom he is subordinate, or any other person authorized in this behalf by the Board.

Exercise of assessment functions by the Ins. Add. Commissioner [Sec 12] The Commissioner may, with prior approval of the Board, by general or a special order in writing, direct that in respect of all or any proceedings relating to specified cases or classes of cases or specified persons or classes of persons within his jurisdiction, the powers and functions of any income tax authority can be exercised by the immediate senior income tax authority. Any reference made here will be deemed to be the reference to the said senior authority.

ao 4.5

NATIONAL BOARD OF REVENUE

National Board of Revenue (NBR) has been constituted under the National Board of Revenue Order, 1972 (Presidents Order No. 76 of 1972) [U/s 2(13)] and is given the highest executive authority under the Internal Resources Division (IRD) of the Ministry of Finance. The Secretary, IRD is the ex-officio Chairman of NBR. NBR is responsible for formulation and continuous re-appraisal of tax-policies and tax-laws in Bangladesh. The NBR is empowered to make necessary rules concerning income tax matters but not authorized to give any interpretation of any word used in any section of IT ordinance (judiciary function). It is a body consisting of a chairman. members, officers, and secretaries. The chairman and members are appointed by the Government and work under the direct control of the Ministry of Finance. Negotiating tax treaties with foreign governments and participating in interministerial deliberations on economic issues having a bearing on fiscal policies and tax administration are also NBR's responsibilities. The main responsibility of NBR is to mobilize domestic resources through collection of Import Duties and Taxes, VAT, and Income Tax for the Government. Side by side with collection of taxes, facilitation of international trade through quick clearance of import and export cargoes has also emerged as a key role of NBR. Other responsibilities include administration of matters related to taxes, duties and other revenue related fees/charges and Prevention of smuggling. Under the overall control of IRD, NBR administers the Excise, VAT, Customs, and Income Tax services consisting of 3434 officers of various grades and 10195 supporting staff positions.

CLO

4.5

4.6

TAXES APPELLATE TRIBUNAL

According to section 2(12), "Appellate Tribunal" means the Taxes Appellate Tribunal established under section 13 of ITA 2023. As per section 4, it is not a part of income tax authority. But to facilitate the aggrieved assessees and the DCT with allowing them to file an appeal against the order of an Appellate Joint Commissioner or the Commissioner (Appeals); the government forms the Tribunal as a judicial body. A brief about its formation, members' qualification, and functioning are as follow.

Formation of Taxes Appellate Tribunal

For exercising the functions of the Appellate Tribunal under this Act, the government shall establish a Taxes Appellate Tribunal consisting of a President and such other members as the Government may, from time to time, appoint [section 13(1)]. The Government shall appoint one of the members of the Appellate Tribunal to be the President thereof, who is a member of the Board, or holds the current charge of a member of the Board [section 13(3)].

Qualification of the Members [Section 13(2)]

, . P	retsen shart not be appointed as a member of the Taxes Appendic		
	he was or is a member of the Board or holds the current charge of a	member	0
	the Board; or		*
	he is or was a District Judge;		
	ha is a Commissioner of Tayon or		

A person shall not be appointed as a member of the Taxes Appellate Tribunal unless -

ш	ne is a commissioner of faxes, or
	he is an income tax lawyer within the meaning of section 327 and practiced
	professionally for not less than ten years in any income tax office; or

he is a professional legislative expert having not less than ten years' experience in the process of drafting and making financial and tax laws.

Other Relevant Provisions

☐ Exercise of Power [Section 14]

Generally, the powers and functions of the Appellate Tribunal (AT) shall be exercised by Benches of the AT, to be constituted by the President having not less than two members of which at least one member will be a member of the Board or Commissioner of Taxes.

☐ Decision of Bench [Section 15]

The decision of a bench in any case or on any point shall be given in accordance with the opinion of the majority of its members. But if the members are equally divided in any point, they will refer it to the president who may refer the case to one or more other members of the Tribunal for hearing and the point shall be decided according to the majority of the members of the Appellate Tribunal who have heard it including those who first heard it.

However, where there are only two members of the Appellate Tribunal and they differ in any case, the Government may appoint an additional member of the Appellate Tribunal for the purpose of hearing the case and the decision of the

The shall be given in accordance with the opinion of the majority of the members of the Appellate Tribunal as constituted with such additional member. Bangladesh Income Fax - Theory and Practice

- Exercise of Property. One Member

 Norwithstanding anything contained in section 14, the Government may direct

 Norwithstanding anything contained in Section 14. Norwithstanding anything contained in secure. Tribunal shall be exercised by any that the powers and functions of the Appellate Tribunal shall be exercised by any Evercine of Power by One Member one of its members, or by two or more members jointly or severally.
- Regulation of Procedure [Section 17]
 Subject to the provisions of this Act, the Appellate Tribunal shall regulate its own Subject to the provisions of this Act, the Spring out of the discharge procedure and the procedure of its Benches in matters arising out of the discharge procedure and the procedure of its Bench shall hold its sittings, of its functions including the places at which a Bench shall hold its sittings.

ROLE OF CIVIL COURTS REGARDING INCOME TAX High Court Division and Supreme Court Division can only give explanation of law to High Court Division and Supreme Court of the Commissioner of Taxes. Based on any point referred to them by the assessee or the Commissioner of Taxes. Based on any point referred to them by the assessed on the explanation, the Tribunal can give the final verdict. An appeal can also be filed the explanation, the Iribunal can give a Division in any case which the High Court against the judgment of the High Court Division for a Divi against the judgment of the right court.

Division certifies to be a fit one for appeal to the Appellate Division [Sec 294 & 295].

POWERS REGARDING COLLECTION OF INFORMATION

Part 12, Chapter 1 of the ITA, 2023 enumerated the relevant provisions regarding the collection of information by income tax authorities. These provisions have revealed some powers of the income tax authorities. For this Part, the following definitions have been specified:

☐ Impecting Income Tax Authority means —

- Director General (Inspection);
- Director General (Central Intelligence Cell);
- Any other income tax authority empowered by the board or commissioner of taxes to exercise such functions
- ☐ Income related Records means any books of accounts, documents, electronic records, and system.

Powers Under this Part Not to Prejudice Other Powers [Section 199]

The powers exercisable by income tax authorities under this Part 12 shall not prejudice, unless otherwise provided in the provision thereof, the powers exercisable under the other provisions of this Act.



(a) Define income tax authority.

(b) What is the basic objective to formulate administrative and judicial authority?

Power to Call for Information [Section 200]

Any income tax authority, not with a position lower than the Deputy Commissioner of Taxes, for the purposes of this Act, by notice in writing, require any person to furnish information in relation to such points or matters as he thinks fit, within the deadline by means as may be specified in the notice. Such authority may also by notice in writing or electronic means, require any person to furnish relevant information in relation to any pending investigation or current activities under this Act, within the deadline by means as may be specified in the notice. Provided that no such notice on a bank or financial institution shall be issued by any authority with a position lower than the Commissioner of Taxes, without the approval of the Commissioner,

Automatic Furnishing of Information [Section 201]

The Board may, by a notice in official gazette, require any authority, person or entity to furnish in digital manner to the Board or any income tax authority specified by the Board, any information including information regarding assets, liabilities, income, expenses and transactions in respect of any class of persons. For the purpose of this section, furnishing in digital manner includes -

- uploading data in the system of the Board;
- ☐ sharing data to the digital or electronic system of the Board; and
- enabling digital or electronic access to the intended system.

Power to Inspect Registers of Companies [Section 202]

Any income tax authority may inspect and, if necessary, take copies, or cause copies to be taken, of any register of the business.

Power to Inspect the Sources of Income [Section 203]

Any income tax authority may inspect and, if necessary, take copies, or cause copies to be taken, of any sources of Income.

Inspection and Investigation [Section 204]

The inspecting income tax authority may inspect and investigate any person to be assessable or under assessment or any other person relevant to it and, if necessary, may order any person or entity to provide relevant information regarding the sources of income of the said person or to be present to them at any specified time. The Board will prepare a manual regarding the Inspection and Investigation procedure for the purpose of this section.

Power of Survey [Section 205]

12 1 19pt - 3 2

ar A Shill

I notice to

For the purpose of survey of liability of any person to tax under this Act, an income tax authority may, notwithstanding anything contained in other provisions of this Act but subject to such directions or instructions as the Board may issue in this behalf, enter any-place or premises within the limits of its jurisdiction as mentioned in this section.

C.O

4.5 4.6

CM0 4.5

POWERS REGARDING SEARCH AND SEIZURE POWERS REGARDING SEARON FIRE Provisions regarding the Part 12, Chapter 2 of the 11A, 2021 enumerated the relevant provisions regarding the Part 12, Chapter 2 of the Iron tenumerated the medianted the income tax authorities: Hangladesh Income Tax - Theory and Priotics powers of search and selvine by the Income (ax multiprittes) Power of Search and Selzure [Section 201]
Where the inspecting income tax authority has, on account of information in his possession, reason to believe that any person

to whom a summons or notice under this Act has been issued to produce any
to whom a summons or notice under this Act has been issued to produce such records. to whom a summons or notice under this record to produce such records; record of income, assets, and liability, has failed to produce such records; record of facome, assets, and naumy, mass, and assets, and liability; or is not likely to produce such record of income, assets, and liability; or is not likely to produce such record of meaning. In the information relating to income in has failed to or is not likely to produce the information relating to income in response to the notice or summon [U/s 206(1)]. The inspecting income tax authority may authorize any officer subordinate to him, The inspecting income tax autmorny may account of Taxes, to exercise the being not below the rank of the Assistant Commissioner of Taxes, to exercise the being not below the rank of the Assistant to search and seizure [U/s 206(2)]. The powers of conducting the activities relating to search and seizure [U/s 206(2)]. The powers of conducting the activines remains authorized officer may, notwithstanding anything contained in any other law for the authorized officer may, not the following steps in this regard [U/s 206(3)]: ume being in force, can take the distribution of the last of the l enter and search any building, passed to suspect that any books of accounts, documents, money, bullion, jewellery or other valuable article are or have been kept; jewellery or other valuable action break-open the lock of any door, box, locker, safe, almirah or other receptacle for the purpose of the said entry, and search, if keys thereof are not available; search any person who has got out of, or is about to get, into, or is in, the building, place, vessel, vehicle or aircraft, if he has reason to suspect that such person has secreted about his person any such books of accounts, documents, electronic records and systems, money, bullion, jewellery or other valuable □ seize any such books of accounts, documents, money, bullion, jewellery or other valuable article or thing found as a result of such search; □ place marks of identification on or providing electronic number or make or cause to be made extracts or copies therefrom; ☐ make a note or an inventory of any such money, bullion, jewellery or other valuable article or thing; and extract the data, images or any inputs stored in the electronic records and systems or enter the systems by breaking through password protection or copy or analyze the data, books of accounts, documents, images or inputs.

The authorized officer may requisition the services of any police officer or other

officer of the Government or any professional expert from outside the government to

assist him for all or any of the purposes specified in sub-section (2); and it shall be the

duty of every such officer or professional expert to comply with such requisition [U/s

make the

, 501

Shitt .

11 10

rings his

The authorized officer may, where it is not practicable to seize any such books of accounts, documents, money, bullion, jewellery or other valuable article or thing, by order in writing, require the owner or the person who is in immediate possession or control thereof not to remove, part with or otherwise deal with it without obtaining his previous permission; and the authorized officer may take such steps as may be necessary for ensuring compliance with the order. Provided that if the owner or the person concerned, without any reasonable cause, fails to comply with the provisions of this sub-section, and transfer the bullion, jewellery, valuable article or thing, the Deputy Commissioner of Taxes may consider the person as owner of such things and in such a case the said person shall be deemed to be an assessee in default under this Act. [section 206(5)]

The authorized officer may, during the course of the search or seizure, examine on oath, any person who is found to be in possession or control of any books of accounts. documents, money, bullion, jewellery or other valuable article or thing and any statement made by such person during the examination may thereafter be used in evidence in any proceeding under this Act [section 206(6)].

Where any books of accounts, documents, money, bullion, jewellery or other valuable article or thing is found in the possession or control of any person in the course of a search, it may be presumed that-

☐ the books of accounts, documents, money, bullion, jewellery, article or thing belongs to such person; ☐ the contents of the books of accounts are true; and

☐ the signature on, or the handwriting in, any such books or documents is the signature or handwriting of the person whose signature or handwriting it purports to be [U/s 206(7)].

The person from whose custody any books of accounts or other documents are seized under sub-section (2) may make copies thereof, or take extracts therefrom, in the presence of the authorized officer or any other person designated by him, at such place and time as the authorized officer may appoint in this behalf [U/s 206(8)]. The Board may issue any Manual specifying the procedures of search and seizure in this regard under Section 206 (9). Subject to the provisions of this Act and the rules, if any, made in this behalf by the Board, the provisions of the Code of Criminal Procedure, 1898 (Act V of 1898), relating to search and seizure shall apply, so far as may be, to search and seizure [section 206(10)].

For the purposes of this section, the word "proceeding" means any proceeding in respect of any year under this Act which may be pending on the date on which a search is authorized under this section or which may have been completed on or Defore such date and also includes all proceedings under this Ordinance which may be commenced after such date in respect of any year [section 206(8)].

206(4)].

1400

CLO

Transferring Seized Books of Accounts to the DCT [Section 207] Transferring Seized Books of Accounts to the Taxes are different persons of the authorized officer and the Deputy Commissioner of Taxes are different persons of the authorized officer and the Deputy Commissioner of Taxes are different persons of the authorized officer and the Deputy Commissioner of Taxes are different persons. Bangladesh Income Tax - Theory and Practice If the authorized officer and the Deputy Commissions of accounts [U/s 206] to the authorized officer shall have to transfer the seized books of accounts [U/s 206] to the authorized officer shall have to transfer the seized books of accounts [U/s 206] to the authorized officer shall have to transfer the seized books of accounts [U/s 206] to the authorized officer shall have to transfer the seized books of accounts [U/s 206] to the authorized officer shall have to transfer the seized books of accounts [U/s 206] to the authorized officer shall have to transfer the seized books of accounts [U/s 206] to the authorized officer shall have to transfer the seized books of accounts [U/s 206] to the authorized officer shall have to transfer the seized books of accounts [U/s 206] to the authorized officer shall have to transfer the seized books of accounts [U/s 206] to the authorized officer shall have to transfer the seized books of accounts [U/s 206] to the authorized officer shall have to transfer the seized books of accounts [U/s 206] to the authorized officer shall have to transfer the seized books of accounts [U/s 206] to the authorized officer shall have to transfer the seized books of accounts [U/s 206] to the authorized officer shall have to transfer the seized books of accounts [U/s 206] to the authorized officer shall have the authorized officer the authorized officer shall have to transfer the second date of seizure, the Deputy Commissioner of Taxes within 30 days from the record date of seizure,

Retention Period of the Seized Books of Accounts [Section 208] Resention Period of the Seized Books of Seized under sub-section (2) shall not be The books of accounts or other documents seized under sub-section (2) shall not be The books of accounts or other documents of exceeding sixty days from the date of retained by the authorized officer for a period exceeding sixty days from the date of retained by the authorized officer for a period exceeding sixty days from the date of retained by the authorized officer for a period writing, approval of the extension not the seizure unless for reasons recorded in writing. The aggrieved parts of the seizure unless for reasons recorded for such retention. The aggrieved parts of the seizure unless for reasons recorded for such retention. the seizure unless for reasons recorded in the aggrieved party has the exceeding 30 days has been obtained for such retention. The aggrieved party has the right to apply and being heard in this regard.

Retention of Seized Assets [Section 207]

Where any money, bullion, jewellery or other valuable article or thing (hereinafter where any money, bullion, jewellery or other DCT under section 206. Where any money, bullion, jewellery of other DCT under section 206, the DCT referred to as assets) is seized and transferred to the DCT under section 206, the DCT referred to as assets) is seized and unansterned a reasonable opportunity of being heard, shall shall, after giving the person concerned a reasonable opportunity of the seizure of the shall, after giving the person concerned within 90 days of the seizure of the assets. In take the initiative for inspection within 90 days of the seizure of the assets. In take the initiative for inspection within any proceeding under this section is computing the 90 days, any period during which any proceeding under this section 3000 computing the 90 days, any period during which any proceeding under this section 3000 computing the 90 days, any period during which any proceeding under this section is computing the 90 days, any period data. Section 206(1-3)]. stayed by an order or injunction of any Court shall be excluded [section 206(1-3)].

If, after taking into account the materials available with him, the DCT is of the view that it is not possible to ascertain to which particular income year or years such income or any part thereof relates, he may calculate the tax on such income or part, as the case may be, as if such income or part were the total income chargeable to tax at the rates in force in the financial year in which the assets were seized [section 206(4)].

After completing the proceedings, the DCT shall, with the approval of the Commissioner, make an order requiring the person concerned to pay the aggregate of the amounts referred to in sub-section (2)(b) and shall, if such person pays, or makes satisfactory arrangement for the payment of, such amounts or any part thereof, release the assets seized or such part thereof as he may deem fit in the circumstances of the case [section 206(5-6)]. Where the person concerned fails to pay, or to make satisfactory arrangements for the payment of, any amount required to be paid in pursuance of the order under sub-section (2) or any part thereof, he shall be deemed to be an assessee in default in respect of the amount or part, and the DCT may retain in his custody the assets seized under section 206 or any part thereof as are in his opinion sufficient for the realization of the said amount or, as the case may be, of such part thereof as has not been paid [section 209(7)].

If the DCT is satisfied that the assets seized under section 206 or any part thereof were held by a person for or on behalf of any other person, he may proceed under this section against such other person, and all the provisions of this section shall apply accordingly [U/s 209(8)].

If any person objects, for any reason, to an order made under sub-section (4), he may make an application, stating therein the reasons for his objection, to the Commissioner for appropriate relief in the matter; and the Commissioner may, after giving the applicant an opportunity of being heard, pass such orders thereon as he

Application of retained assets [Section 210]

Where the assets retained under sub-section (7) of section 206 consist solely of money, or partly of money and partly of other assets [U/s 210(1)]-

 \square the Deputy Commissioner of Taxes shall first apply such money towards payment of the amount in respect of which the person concerned is deemed to be an assessee in default under that sub-section; and thereupon such person shall be discharged of his liability to the extent of the money so applied; and

☐ where, after application of the money under clause (a), any part of the amount referred to therein remains unpaid, the Deputy Commissioner of Taxes may recover the amount remaining unpaid, by sale of such of the assets as do not consist of money in the manner movable property may be sold by a Tax Recovery Officer for the recovery of tax; and for this purposes he shall have all the powers of a Tax Recovery Officer under this Act.

Nothing contained in sub-section (1) shall preclude the recovery of the amount referred to in section 206(7) by any other mode provided in this Act for the recovery of any liability of an assessee in default [U/s 210(2)]. Any assets or proceeds thereof which remain after the discharge of the liability in respect of the amount referred to in section 206(7) shall forthwith be made over or paid to the persons from whose custody the assets were seized [U/s 210(3)].

CLO

State 640

ion and the real

POWERS REGARDING CALL FOR HEARING

Part 12, Chapter 3 of the ITA, 2023 enumerated the relevant provisions regarding the powers of search and seizure by the income tax authorities:

Power to Take Evidence on Oath, Etc. [Section 211]

The DCT, the Additional Commissioner of Taxes, the Commissioner of Taxes, the Director General-Central Intelligence Cell, the Commissioner of Taxes (Appeal), and the Appellate Tribunal shall, for the purposes of this Act, have the same powers as are vested in a Court under the Code of Civil Procedure, 1908 (Act V of 1908), when trying a suit in respect of the following matters, namely:-

	discovery	and i	inspection,								4
1	enforcing	the	attendance	of	any	person	and	examining	him	on	oatn
	affirmation										

2113	attumation,					/· 1 1		-
. Files	compelling th	ne production	of accounts	or	documents	(including	accounts	O
C LUP	documents re	io production		L		a income v	ear). and	
	documents re	ating to any po	eriod prior or	suo	sequent to u	ie meome y	car), and	

issuing commissions for the examination of witnesses [U/s 211(1)].



or

The DCT shall not exercise his powers under this section for the purpose of enforcing the DCT snail not exercise in policy and a scheduled bank as a witness or compelling the the attendance of an employee of a bank except with the prior approval of the Commissioner [U's 211(2)]. Any authority mentioned in sub-section (1) may impound and retain in its custody for such period as it considers fit, any books of accounts or other documents produced before it in any proceeding under this Act Such retention should be recorded and should not be more than for 15 working days without the approval of the Chief Commissioner or Commissioner of Taxes [U/s]

Any proceeding under this Act, before any authority mentioned in sub-section (1). shall be deemed to be a judicial proceeding within the meaning of sections 193 and 128, and for the purposes of section 196, of the Penal Code (Act XLV of 1860) [U/s]211(5)]. Any order of the income tax authority, through the proceeding under this Act, shall be considered as order of the Civil Court [U/s 211(6)].

4.11

CLO

4.5

4.6

POWERS IN CERTAIN CASES

Power of Inspecting Additional Commissioner to revise the erroneous Order

As per section 213, the Inspecting Additional Commissioner may call for and examine the record of any proceeding under this Act if he considers that any order passed therein by the DCT is erroneous in so far as it is prejudicial to the interests of the revenue, and may, after giving the assessee an opportunity of being heard, and after making or causing to be made, such inquiry as he thinks necessary, pass such order thereon as in his view the circumstances of the case would justify, including an order enhancing or modifying the assessment or cancelling the assessment and directing a fresh assessment to be made [U/s 213(1)].

Where the power of the Deputy Commissioner of Taxes is exercised by a higher income tax authority under the provision of section 12, the proceedings mentioned in sub-section (1) shall be taken by the Commissioner. No order shall be made under sub-section (1) after the expiry of four years from the date of the order sought to be revised. Nothing in section 212 shall bar any proceeding under this section in applicable cases [U/s 213(2-4)].

In this section, an order shall be deemed to be erroneous if, in the opinion of the Inspecting Joint Commissioner, as the case may be, -

	any income is misclassified in the order;
	any provision of this Act is misinterpreted in making the order;
	the order is passed without making verification which should have been made;
$\overline{\Box}$	the order is passed allowing any relief without inquiring into the claim;
$\overline{}$	the order, direction or instruction issued by the Board under section 10 has n
_	been observed or followed in the order; or
	the order is erroneous for reasons apparent from the record [U/s 213(5)].

1.74

Revisional Power of the Commissioner [Section 285]

The Commissioner may on an application made by the assessee, call for the record of any proceeding under this Act in which an order has been passed by any authority any proceeding under uns Act in which an order has been passed by any authority subordinate to him and may make such enquiry or cause such enquiry to be made and. subject to the provisions of this Act, may pass such order thereon, not being an order

The application for revision of an order under this Act passed by any authority subordinate to the Commissioner shall be made within sixty days of the date on which such order is communicated to the assessee or within such further period as the Commissioner may consider fit to allow on being satisfied that the assessee was prevented by sufficient cause from making the application within the said sixty days

The Commissioner shall not exercise his power under sub-section (1) in respect of

- ☐ Where an appeal against the order lies to the Additional Commissioner of Taxes (Appeal) or to the Commissioner (Appeals) or to the Appellate Tribunal and the time within which such appeal may be made has not expired or the assessee has
- where the order is pending on an appeal before the Additional Commissioner of Taxes (Appeal) or it has been made the subject of an appeal to the Commissioner (Appeals) or to the Appellate Tribunal [U/s 285(3)].

No application under sub-section (1) shall lie unless- (a) it is accompanied by a fee of two hundred taka; and (b) the undisputed portion of the tax (U/s 173) has been paid

For the purposes of this section, an order by the Commissioner declining to interfere shall not be construed as an order prejudicial to the assessee. Notwithstanding anything contained in this Act, an application for revision made under sub-section (1) shall be deemed to have been allowed if the Commissioner fails to make an order thereon within a period of sixty days from the date of filing the application. For the purposes of this section, the Additional Commissioner of Taxes (Appeal) shall be deemed to be an authority subordinate to the Commissioner to whom the Deputy Commissioner of Taxes, whose order was the subject-matter of the appeal order under revision, is subordinate [U/s 285(5-7)].

CLO 4.5

ASSISTANCE TO INCOME TAX AUTHORITIES

All officers and staff of government and semi-government organizations, law enforcement agencies, autonomous bodies, statutory bodies, financial institutions, educational institutions, private organizations, local government, and non-government organizations shall assist the income tax authorities in the discharge of their functions under the ITA, 2023 [Section 329].

13288 4

1	works to detect and prevent tax evasion in the country?
	Who works to detect and prevent tax evasion in the country? (a) Commissioner of Taxes (b) Deputy Commissioner of Taxes (d) Inspector of Taxes
u practice	(a) Commissioned (b) Espairy Commissioned (c) Tax Recovery Officer (d) Inspector of Taxes
Bangladesh Income Tax - Theory and Practice KEY POINTS Income tax authorities hold the sole authority to execute the laws relating	(c) Tax Recovery
REY POINTS Income tax authorities hold the sole authority to exceed and Income tax authorities hold the sole authority to exceed and Income tax applicable in the land. Income tax applicable in the land. Part 2 (Sec 4-12) of the ITA 2023 deals with the appointment, power and income tax applicable in the land. Part 2 (Sec 4-12) of the ITA 2023 deals with the appointment, power and land income tax authority responsibilities with their respective authority as administrative and judicial authority approximation of income tax with the land income tax authorities hold the sole authority to exceed and land income tax authorities hold the sole authority to exceed and land income tax authorities hold the sole authority to exceed and land income tax authorities hold the sole authority responsibility relationships.	OR FALSE (F) IDENTIFICATION
Income tax authorities hold the sole with the appointment, power and income tax applicable in the land. Income tax applicable in the land. Part 2 (Sec 4-12) of the ITA 2023 deals with the appointment, power and income tax applicable in the land. Part 2 (Sec 4-12) of the ITA 2023 deals with the appointment, power and income tax authority responsibilities with their respective authority-responsibilities with the appointment, power and with the appointment and with the appointment, power and with the appointment and with the appointment and w	TRUE (T) OR FALSE (F) IDENTIFICATION
Income tax authorities hold the solution the appointment, power and income tax applicable in the land. Income tax applicable in the land income tax applicable in the land.	the same fax authority may appoint any 11 authority supordinate thereto subject [1]
Income tax applicable in ITA 2023 authority-responsibility and judicial authority.	
	to the orders and institute authority has been formulated to hear the claims of the assessee and Administrative authority has been formulated to hear the claims of the assessee and
Part 2 (Sec 4-12) Part 2 (Sec 4-12) Part 2 (Sec 4-12) Part 3 (Sec 4-12) Part 2 (Sec 4-12) Part 3 (Sec 4-12) Part 4 (Sec 4-12) Part 5 (Sec 4-12) Part 6 (Sec 4-12) Part 7 (Sec 4-12) Part 7 (Sec 4-12) Part 8 (Sec 4-12) Part 9 (Sec 4	
responsibilities may be lincome tax authorities may be lincome tax authorities may be lincome tax authorities look after the total administration of the tax wing depending on their functions. Administrative authorities look after the total administration of the total administratio	to give them the visioner of Taxes (inspecting) has the power to revise any order Additional Commissioner of Taxes (inspecting) has the power to revise any order
Income Income their function look after the collection of the verdict	Additional Commissioner of Faxes (hispecting) has the power to revise any
restrative author of assesses and give the	of DCT within 4 years.
Income tax authorities look after the total accordance. depending on their functions, depending on their functions. Administrative authorities look after the total collection of taxes. Administrative authorities of assessee to the collection of the verdict. Starting from the identification of assessees and give the verdict. Judicial authorities hear the claims of the assessees and give the verdict. Judicial authorities hear the claims of the assessees and give the verdict. Judicial authorities hear the claims of the assessees and give the verdict. Judicial authorities hear the claims of the assessees and give the verdict. Judicial authorities hear the claims of the assessees and give the verdict. The National Board of Revenue (NBR) as the appear body enjoys the power to the provisions of the IT Act, 2023. The National Board of Revenue (NBR) as the appear authority subordinate thereto appoint income tax authorities as per the provisions of the IT Act, 2023. The National Board of Revenue (NBR) as the appear authority subordinate thereto appoint income tax authorities as per the provisions of the IT Act, 2023.	- "Jone of the Appellate Tribinal is appointed by the Supreme Court
Indicial authorities hear the Revenue (NBR) as provisions of the IT Act, 2023.	4. Court Division and Supreme Court Division can only give explanation of law T T T T F
The National Board of the start and IT authority subordinate thereto	to any point referred to them by the assessee or the Commissioner of Taxes.
appoint income tax authority may appoint any appoint any issue from time to time.	(0 m) F
starting into the claim (NBR) as the or Judicial authorities hear the claim (NBR) as the or Judicial authorities hear the claim (NBR) as the or Judicial authorities as per the provisions of the IT Act, 2023. The National Board of Revenue (NBR) as the or Judicial Revenue (NBR) as the provisions of the IT Act, 2023. The National Board of Revenue (NBR) as the or Judicial Revenue (NBR) as the order to the retain the provisions of the IT Act, 2023. The National Board of Revenue (NBR) as the order than the retain the provisions of the IT Act, 2023. The National Board of Revenue (NBR) as the order than the retain the provisions of the IT Act, 2023. The National Board of Revenue (NBR) as the order than the provisions of the IT Act, 2023. The National Board of Revenue (NBR) as the order than the provisions of the IT Act, 2023. The National Board of Revenue (NBR) as the order than the provisions of the IT Act, 2023. The National Board of Revenue (NBR) as the provisions of the IT Act, 2023. The National Board of Revenue (NBR) as the provisions of the IT Act, 2023. The National Board of Revenue (NBR) as the provisions of the IT Act, 2023. The National Board of Revenue (NBR) as the provisions of the IT Act, 2023. The National Board of Revenue (NBR) as the provisions of the IT Act, 2023. The National Board of Revenue (NBR) as the provisions of the IT Act, 2023. The National Board of Revenue (NBR) as the provisions of the IT Act, 2023. The National Board of Revenue (NBR) as the provisions of the IT Act, 2023. The National Board of Revenue (NBR) as the provisions of the IT Act, 2023. The National Board of Revenue (NBR) as the provisions of the IT Act, 2023. The National Board of Revenue (NBR) as the provisions of the IT Act, 2023. The National Board of Revenue (NBR) as the provisions of the IT Act, 2023. The National Board of Revenue (NBR) as the provisions of the IT Act, 2023. The National Board of Revenue (NBR) as the provisions of the IT Act, 2023. The National Board of Revenue (NBR) as the provisions	CON OUESTIONS (DO)
Indicational Board of Rectangle Indicational Board Indicational	DISCUSSION QUESTIONS (DQ)
	the income tay authorities? Shotch the namer of administrative and IUIICIAI Doules.
Taxes Appellate Tribunal is an authority, through the cut's 211(6)]	ar do you think income tay authorities have been appointed?
Any order of the income the Civil Court LO/3 2	what is NBR? Explain the powers and functions of NBR.
Taxes Appellate Tribunal is not authority, through the process Any order of the income tax authority (U/s 211(6)) shall be considered as order of the Civil Court [U/s 211(6)]	DCT plans a vital role in the whole of the administration of the country " - explain.
Will are	The state of the s
	Tay Appellate Tribunal? Evaluin the required qualifications to be a member of take
MULTIPLE CHOICE QUESTIONS MULTIPLE CHOICE QUESTIONS Appellate Tribunal (d) Government	DQ4.6 What is rax Appendix Tribunal Explain the required quantications to be a way
MULTIPLE CHOICE Que annointed by the -	appellate Tribunal.
Most of the income tax authors (c) Appendix	DQ4.7 Briefly explain the functions of Inspecting Additional Commissioner of Taxes.
1. Most of the income tenth of the control of the c	DQ4.8 Write short note on: Udicial Authority NBR Tax Appellate Tribunal DCT
7.8 The chairman and members of the chairman and members o	
(a) Ministry of Finance (b) NBR (a) Ministry of Finance (b) NBR (b) NBR (c) NBP (d) Government	ANSWERS
(a) Ministry of Finance (b) NBR 3. Commissioner of Taxes works as per the direction of the – (c) Appellate Tribunal (d) Government (d) Government (e) Appellate Tribunal (d) Government	•
3. Commissioner of Taxes works as per included (c) Appellate Tribunar (d) Government (e) NBR (a) Ministry of Finance (b) NBR (c) Appellate Tribunar (d) Government (e) Appellate Tribunar (e)	MULTIPLE CHOICE QUESTIONS TRUE/FALSE
4. Which part of the ITA 2023 deals with the power (c) 2	1 2 3 4 5 6 7 8 9 10 1 2 3 4 5
(a) 1 (b) 3 members.	b d b c a b b d c d T P T P T
(a) 1 (b) 3 members. 5. Any Bench of the Appellate Tribunal is formed with minimum (d) none of these	
(a) 2 (b) 3 cd - DCT?	the state of the control of the state of the
(a) 2 (b) 3 Who has the power to revise the erroneous order of the DCT? (b) Inspecting Add. Commissioner of taxes	SELF – REVIEW 4.1
(a) Appellate Tribunal	(a) Income tax authorities hold the sole authority to execute the laws relating to
(c) Commissioner of Taxes (appeal)	income tax applicable in the land and to run various departments formed for
7. Tax Appellate Tribunal is a body - (c) Independent (d) none of these	streamlining the functions like identification of assessee; computation of taxable
(a) Administrative (b) Indicial (c) Independent	income, net tax liability etc.
(a) Administrative (b) Suddential (c) Suddential (c	(b) Administrative: To look after the total administration of income tax wing starting.
(a) he was a member of the Board (b) ne was a Commissioner of Tures	from the identification of assessees to the collection of assessees.
(c) he was a district judge (d) tax lawyer with above eight-year experience	froit the identification of assessors to the southern of assessors
9. The aggrieved assessee may appeal to whom against the decision of DCT?	
(a) Appellate Tribunal (b) Assistant Commissioner of taxes	

(c) Additional Commissioner of taxes - Appeal (d) Commissioner of Taxes (appeal)

Income from Employment

"....... but in this world nothing can be said to be certain, except death and taxes." - Benjamin Franklin

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

CLO 5.1	understand the concept of income from employment
CLO 5.2	identify basic components of employment income
CLO 5.3	apply taxability on different salary components

CLO 5.4 recognize various categories of provident funds

CLO 5.5 apply TDS on employment income CLO 5.6 list non assessable salary income

CLO 5.7 recall rebate on allowable investments

CLO 5.8 compute tax liability on income from employment

KEY TERMS

CLO

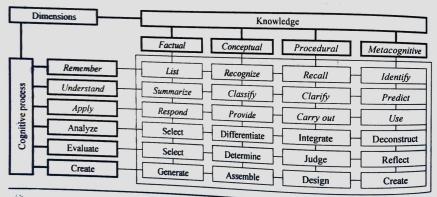
5.2

5.3

Salary, Perquisite, Profit in lieu of salary, Employee, Employer, Provident fund, Approved gratuity fund Worker's participation fund, Investment allowance Tax deducted at sources

Bloom's Taxonomy

This chapter covers (italic) the entire knowledge dimension and the first three levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



Chapter - 5 Income from Employment

CHARGEABILITY OF INCOME UNDER EMPLOYMENT Income from Employment is the first head of income out of seven heads mentioned in section 30 of the Income Tax Act, 2023. The chargeability of such income is guided by the relationship between the person making the payment (employer) and the person receiving such payment (employee). It comprehends every payment, due or received, by an employee from an employer or former employer on account of services rendered. Even non-monetary benefits and perquisites are valued in

Incomes to be recorded under the head "Income from Employment"

According to Section 32(1) of the ITA, 2023, the following incomes are to be

- Any monetary amount, salary, or benefits received or due from the employment;
- Any arrears of salary not charged to income tax for any earlier period.
- Any monetary amount / benefit received from former or future employer.

Incomes not to be recorded under the head "Income from Employment"

According to Section 32(2) of the ITA, 2023, the following incomes are not to be recorded under the head "Income from Employment:

- medical expenses reimbursed by an employer to an employee, other than an employee who is a shareholder director, for surgery of heart, kidney, eye, liver
- any conveyance allowance, travel allowance and daily allowance specifically granted to meet expenses wholly and necessarily incurred in the performance of the duties of an office or employment;

Following points should be noted for chargeability of income from employment:

- An income can be taxed under the head "Income from Employment" only if there is a relationship of an employer and employee between the payer and payee.
- ☐ If it is found that there was no element of employer-employee relationship, income is assessable as income from other sources.
- ☐ It does not matter whether the employee is a full-time or a part-time employee. once the relationship of employer and employee exists, the income is to be charged under the head "income from employment". If, for example, an

employee works with more than one employer, salaries received from all the and the first should be clubbed and brought to charge for the relevant income was a received by a partner from his partnership firm carrying on a business is not chargeable as "Income from Employment" but as

With More Communication of the "Income from Business". Similarly, salary received by a person as MP is taxable as "Income from other sources", but if a person received salary as Minister of

bases of the head "Income from Employment". Pension received by an assessee from his former employer is taxable as "Income

from Employment" whereas pension received on his death by members of his family (Family Pension) is taxed as "Income from other sources"

CLO 5.1 5.2

RELEVANT DEFINITIONS

The ITA, 2023 has specified some relevant salary related definitions:

Salary

Salary
Generally, salary means periodical payment made for work to an employee by an According to section 32(2)(a) Generally, salary means periodical periodica 2023, salary includes:

- any salary, wages, or remuneration; any salary, wages, or tenture assistance, leave encashment, bonus, fees, commission, overtime;
- any advance of salary;
- any gratuity, annuity, pension or its supplement;
- Derquisite:
- profits in lieu of, or in addition to, salary or wages.

"Profits in Lieu of Salary" or "Profits in addition to Salary

According to Section 32(2) of the ITA, 2023, "Profits in lieu of salary" or "Profits in addition to salary" shall include:

- ☐ The amount of any compensation, in whatsoever name, received by an assessee from his employer in connection with the termination of his employment:
- Any payment received by an assessee from provident or other fund to the extent to which it does not consist of contributions by the assessee.
- Any pay or fair market value of the benefits received by an assessee from his employer in connection with the modification of any terms and conditions relating to his employment;
- Any pay or fair market value of the benefits received by an assessee from his employer at the time of joining or in connection with any other conditions relating to his employment;

Perquisite

Perquisite is a causal emolument or benefit attached to an office or position in addition to salary or wages. Perquisites may be given in a variety of forms, in cash or in kind. Perquisites received in kind may or may not be convertible into cash. Section 32(2) of the ITA, 2023 defines perquisites as any payment or any benefit, including incentive bonus, made to an employee by an employer in the form of cash or in any other form. It does not include-

- basic salary, arrear salary, advance salary, festival bonus, leave encashment, and overtime:
- contribution to a recognized provident fund, approved pension fund, approved gratuity fund, and approved superannuation fund.

XAT	Son	Accommodation for free	Chapter - 5 Income from Employment
15	111	Accommodation for perquisite area	Theome from Employment
		Conveyance all	782
		Conveyance allowance or facility Any sum payable (diagram)	
		for the assistance (directly or in the	- 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1
		Any sum payable (directly or indirectly) I for the assessee or his spouse or any of his Entertainment allowance. The sum paid by an empty.	by the employer
	_	Entertainment allower	den a insurance premium
		The sum paid by	dependent children;
		servant Control of an employer in reco	
		The sum paid by an employer in respect o servant, Gardener etc.).	f any obligation of an arms
			of all employee (house

Basic Salary

According to Section 32(2) of the ITA, 2023, 'Basic Salary' means the pay which is payable monthly or otherwise, on what basis other allowances and benefits are

☐ All kind of allowances, perquisites, annuities, bonus, and other benefits; ☐ Employer's contribution to different funds for the employees.

Employer

According to section 32(2) of the ITA, 2023, 'employer' means a person that appoints or recruits the employee to work for him and pays the salary and allowances against it. Anyone working on behalf of the employer will also be considered as an employer

Employee

XXX

177

111

ad our nor

1 45/6/01.

Generally, 'employee' means the person who works for an employer. According to section 2(25) of the ITA, 2023 'employee' means any employee and shall include the following persons, namely:-

- (a) in relation to a company, includes any director or the managing director thereof, or any other person, who irrespective of his designation, performs, any duties or functions in connection with the management of the affairs of the company;
- (b) in the case of any business other than a company, any such person, regardless of position, performs any duty connected with the management of the business;
- (c) any such person who receives salary from the employer, is under the control of the employer and is driven as per instruction of the employer and acts in accordance with decisions taken by the employer;
- (d) all persons receiving income from employment under section 32;

Provided that any worker of a tea garden and daily labor shall not be included.

Wages

Wages is a pledge or payment of usually monetary remuneration by an employer especially for labor or services usually according to the contract, on an hourly, daily or unit work basis. It often includes bonuses, commissions, profit sharing and amount that nonerin paid by the employer for insurance, pension, hospitalization, and other benefits. Generally, here the nature of work is mechanical.

5.3

5.6

HIT I'M IN

ELEMENTS OF SALARY AND CHARGEABILITY OF TAX **5.3** Based on the various provisions of the ITA, 2023 and practice, elements of salary are: CLO 5.2

A. General elements paid in cash (excluding perquisites)

- A. General elements paid in Cush to Basic Salary: Basic salary is the most important element of salary since the Basic Salary: Basic salary is the most important element of salary since the Basic Salary: Basic salary is since the allowances and contribution to various funds are determined on the basis of the allowances and contribution to various funds are determined on the basis of this. Even the yearly increment is also mostly set on the basis of basic salary.
- Even the yearly increment of a particular income year will be added with Arrear salary: The arrear salary income in that income year and will be excluded from the salary the salary bas already been paid on that arround income of year it is received as tax has already been paid on that amount.
- Advance salary: If a certain amount of money is received from the employer as advance against salary, it will be added with the salary income of the income year advance against satary, it will be excluded from the salary when the advance has been received and it will be excluded from the salary income of the next year since tax has already been paid on that amount.
- ☐ Festival Bonus: Generally given during festivals like Eid, Durga Puja, and
- Leave encashment: If the employee gets any cash benefit for not taking the leave,
- Overtime. For working extra hours to the general time limit, an employee receives additional payment as "Overtime".
- ☐ Employer's contribution to Recognized Provident Fund (RPF): In case of a recognized provident fund, an equal amount as contributed by the employee is also given by the employer. Here, only the employer's contribution will be added with salary, not the employee's contribution.
- ☐ Interest on Recognized Provident Fund: Any sum representing interest receipt on the accumulated balance of an employee in a RPF, will be taxable for an amount calculated using the following formula [Schedule 2, Part 3, Para 5]: Interest on RPF

Less: one third of the (salary income excluding the interest amount) XXX XXX XXX

B. Perquisites paid in cash

- ☐ Dearness Allowance: It is the most popular allowance being given to employees these days. This payment is made by the employer to the employee to cope with the higher cost of living, which is usually a certain percentage of the basic salary. ☐ Conveyance allowance: Generally paid in cash to an employee to ease his/her communication to the office in person.
- ☐ House rent allowances: This sort of allowance is granted by the employer to the employee to compensate him in the matter of higher rent prevailing in big cities.
- ☐ Entertainment allowance: This allowance is given to the employee for entertaining customers or clientele of the employer. The whole amount of entertainment allowance will be included under the head salary income. But nothing will be added for free tea, coffee, beverages or the like thereof that are provided at the office premises during the course of work.

Medical Allowance; Where any amount is received by the employee by way of hospitalization, medical expenses or medical allowance, the amount, shall be included in his salary income. But medical expenses reimbursed by an employer to an employee (who is not a shareholder director), for surgery of heart, kidney. eye, liver and cancer of the employee, shall not be included.

- Incentive/Performance Bonus: Generally given for good performance of the Lunch/Tiffin Allowance: If any employee receives any extra cash allowance for
- Special/Professional allowance: If any employee receives any extra allowance for having any special/professional competence, full amount will be added in
- Allowance for house servant/gardener etc.: For any allowance for maintaining house servant, gardener etc., full amount will be added as taxable income.

C. Perquisites paid in kind (in form of benefits) [Section 33]

Sometimes the employees are provided with some non-cash benefits like accommodation facilities, conveyance facilities etc. For inclusion in the head "Income from Salary" purpose, the monetary value of such benefits is determined according to

Monetary value of perquisites (paid in kind/in form of benefits)

Accommodation Facilities

Employee received accommodation as rent free, or the rent is paid by the employer

Accommodation is given by the employer at a concession rate

Conveyance Facilities / Car benefit

- Motorcar upto 2,500 CC Capacity
- Motorcar exceeding 2,500 CC Capacity

Any other perquisite, allowance, or benefits

annual value* of the accommodation less the rent actually paid by the employee Tk. 10,000 per month per car Tk. 25,000 per month per car Monetary value or Fair Market

Value of such perquisites,

Value for tax purposes

the annual value* of the

accommodation.

allowances, or benefits. * Annual Value is the higher of fair rental value or actual rental value [Sec 2(62)]

D. Income earned from Employee Share Scheme [Section 34]

An employee share scheme is when employees can purchase shares in the company they work for with the hope of financial rewards. As per Sec 34 of the ITA, 2023. "Employee Share Scheme" is any contract or management based on which a company or any of its associate company may issue shares to its employee; or or any of its associate company in any of its associate on the deed of may issue shares to the Trustee of a Trust and thereafter, according to the deed of may issue shares to the Trustee of the Trustee and Trust, the said company or any of its associate company $m_{\rm ay}$ issue shares to its employee.

Following formulas are used to compute the amount to be added with salary income for employee's income earned from Employee Share Scheme [Sec 34, 1TA 2023]

Salary income from Employee Share Scheme

- When the employee gets the shares under Employee Share Scheme
- When the employee sales or transfers the right or benefit to get the shares under Employee Share Scheme
- (a) (b); in the year of receipt, where
- (a) = Fair market value of the shares on the day of receipt of shares
- (b) = Acquisition cost of the said shares
- (a) (b); where
- (a) = Disposal or transfer price for foregoing the right or benefit to get the shares
- (b) = Acquisition cost of the right or benefit to get the shares

EXHIBIT

5.1

Examples of Basic Salary

Case 1: If the basic salary of Mr. X is Tk. 10,000 per month, Total annual basic salary of (10,000×12) Tk 120,000 will be included as a part of total income.

Case 2: If Mr. X has withdrawn monthly salary of Tk. 7,000 on July 2023 in the scale of Tk. 6,000-200-10,000 and his date of yearly salary increment falls on March 1; his basic salary for the income year 2023 - 24 will be computed in the following way:

From 01/07/2023 to 28/02/2024 for eight months @ Tk. 7,000 From 01/03/2024 to 30/06/2024 for four months @ [(7,000+200) × 4]

Tk. 56.000 Tk. 84.800 Tk. 28,800

Case 3: If Mr. X has withdrawn monthly salary of Tk. 7,000 on June 2024 in the scale of Tk. 6,000-200-10,000 and his date of yearly salary increment falls on March 1; his basic salary for the income year 2023 - 24 will be computed in the following way:

From 01/07/2023 to 28/02/2024 for eight months @ Tk. 6,800 From 01/03/2024 to 30/06/2024 for four months @ 7,000

Tk. 54,400 Tk. 82,400 Tk. 28.000

Case 4: If Mr. X has withdrawn monthly salary of Tk. 7,000 on July 2023 in the scale of Tk. 6,000-200-10,000 and his date of yearly salary increment falls on March 26; his basic salary for the income year 2023 - 24 will be computed in the following way:

From 01/07/2023 to 28/02/2024 for eight months @ Tk. 7,000 For March [(7,000×25/31) + (7,200×6/31)] i.e. (5,645.16+1.393.55) From 01/04/2024 to 30/06/2024 for three months @ 7,200

Tk. 56,000 Tk. 84,639 Tk. 7,039 Tk. 21.600

Chapter - 5 Income from Employment

E. Other Elements of Salary

☐ Fees & commission: Fees is an amount paid for services rendered, the payment of which is with reference to the work performed and not with reference to any time factor. On the other hand, commission is a payment for transacting a business. It may be based on sales, or net profit or other factors or it may be just fixed sum of money. Whatever the fee or commission is, if it is received from employer the entire amount will be added with salary and will be taxable.

Annuity: Annuity means a yearly allowance or yearly payment for a term of period or for life. The annuity payable by employer or former employer is chargeable under the head 'income from salaries'.

Pension: Pension is periodical payment due to employee from employer after his retirement. Pension is a bounty for past services. The pension may be commuted and full or a portion of such commuted portion may be received. For a resident assessee, pension from government pension fund is fully exempted from tax and thus not included as a part of salary income.

EXHIBIT

5.2

Various Allowances and Accommodation Benefits

Case 1: If the basic salary of Mr. X is Tk. 10,000 per month and he is given 10% dearness allowance on basic salary per month, the amount of dearness allowance that will be included as a part of total income will be

Case 2: If the basic salary of Mr. X is Tk. 10,000 per month and he is given two festival bonuses equal to two month's basic salary, the amount of bonus that will be included in total income will be $(10,000 \times 2) = \text{Tk. } 20,000$.

Case 3: If Mr. X is given a special allowance of Tk. 10,000 to meet some expenses wholly for official purpose, it

Case 4: Mr. X is paid monthly Tk. 20,000 as basic salary and he is also given 60% of basic salary as house rent allowance. Taxable amount for house rent allowance would be: (240,000×60%) = Tk. 144,000

Case 5: Mr. X is paid monthly Tk. 20,000 basic salary and a rent-free accommodation. The flat provided to Mr. X is rented outside at Tk. 9,000 per month. However, the monthly fair/reasonable rent of the flat is Tk. 10,000. Here, income from employment for the facility will be the higher of actual rental value $(9,000 \times 12)$ = Tk. 108,000 and fair/reasonable rental value (10,000 × 12) = Tk. 120,000, i.e., annual value Tk. 120,000 be added with salary.

Case 6: Mr. X is paid monthly Tk. 50,000 as basic salary and an accommodation at a concession rate. The flat provided to Mr. X is rented outside at Tk. 35,000 per month (monthly fair/reasonable rent of the flat is Tk. 40,000). Mr. X bears rent of Tk. 10,000 per month. Here, annual value is Tk. 480,000 [higher of actual rental value (35,000 \times 12) = Tk. 420,000 and fair/reasonable rental value (40,000 \times 12) = Tk. 480,000]. Thus, Mr. X's salary income for the facility is the annual value less rent paid by Mr. X, i.e., Tk. 480,000 - Tk. 120,000 = Tk. 360,000.

Case 7: Mr. X is given Tk. 300 monthly as entertainment allowance, whereas the actual entertainment expense was Tk. 3,000. The entire amount of the entertainment allowance i.e. $(300 \times 12) = \text{Tk. 3,600}$ will be added with salary, there will be no exemption for actual expense.

Case 8: If Mr. X is given Tk. 12,000 as medical allowance in a year and his actual medical expense is Tk. 10,000; His annual basic salary is Tk. 109,000. Under such circumstances, the taxable medical allowance will be Tk. 12,000 and actual medical allowance is irrelevant in this case.



Mr X has withdrawn monthly salary of Tk 7,000 on the last month of the current Mr. 3: has withdrawn monthly solary of 10,000 and his annual increment follows the current income year?

EXHIBIT

Conveyance Benefits and Income earned from Employee Share Scheme

Come 1: Mr X is an employee of Grameenphone and he is given Tk. 3,000 per month as conveyance allowance allowance received $(3,000 \times 12) = \text{Tk. } 36,000$ So, the amount added with salary will be - conveyance allowance received $(3,000 \times 12) = Tk. 36,000$

Come 2(a): Mr. X is poid monthly Tk. 80,000 as basic salary and a 1500 cc full time motor car for both personal and official use So, the amount added with salary will be - conveyance facility $(10,000 \times 12) = Tk$, 120,000.

2(b): Mr. X is paid monthly Tk 200,000 as basic salary and a 3000 cc full time motor car for both personal and afficial use So, the amount added with salary will be - conveyance facility $(25,000 \times 12) = \text{Tk.} 300,000$.

Case 2(c): Mr. x is paid monthly Tk. 50,000 as basic salary and he has also been provided with conveyance Cause 2(c): Mr. X is paid monthly IK. 30,000 as vasic sample. Here, it is important to note that the cost of facility only for official use. So, nothing will be added with salary. Here, it is important to note that the cost of the car/annual maintenance cost and proportion of personal/office use of the car is also irrelevant.

Come 2(d): Mr X is paid monthly Tk. 70,000 as basic solary and he has also been provided with a conveyance facility through a 2000 cc motor car for both personal and official use. In addition to this he is also given The 5000 monthly as conveyance allowance. So, the amounts added with salary will be: conveyance allowance received (5,000 × 12) = Tk 60,000, and conveyance facility (10,000 × 12) = Tk. 120,000.

Case 3: Mr Z has been given Tk. 100,000 as special travel allowance to Bali for his satisfactory performance in path. It was not a part of his service contract. Here the full amount i.e., Tk. 100,000 will be added with salary, as

Came 4(a): Mr. Z has received 1000 shares (face value Tk. 10 per share, Market value Tk. 20 per share) under the Employee Share Scheme from ACI Limited at a 50% discounted price on May 10, 2023. Here, salary income will be added by Tk. 10,000 [Market value of the shares received $1000 \times 20 = \text{Tk. } 20,000 \text{ less acquisition cost } 1,000 \times 1000 \times$

Later, if Mr Z transfers these 1000 shares @ Tk. 25 per share, capital gain amount will be (25,000 - 20,000) = The 5,000 which will not be treated under income from employment.

Come 4(b): Nor Z has been given on offer to receive 1000 shares (face value Tk. 10 per share) under the Employee Share Scheme by ACI Limited at a 10% discounted price with an option to transfer or sale the right to a mord party Mr Z has transferred the right to another person at a price of Tk. 15 per share on May 10, 2023. In this case following amount will be added with the salary income as Income from Employee Share Scheme:

Frace received to transfer the right to obtain shares from ESS to third party (1000 imes 15) Tk. 15,000

Tk. 6,000

Cone 4(c): Mr Z is an employee of ACI Limited. During the income year 2023-24, he has purchased 1000 shares of his company ACI Limited (face value Tk. 10 per share, Purchase price Tk. 20 per share). The market price of per share was Tk. 25 an June 30, 2024. In this case, no amount will be added with the salary income as he has not Gratuity: Income upto Tk. 2.5 crore received as gratuity from the government, or an approved gratuity fund is exempted. [6th Sch. Part 1, Para 5, 6]. Accumulated Balance of Recognized Provident / Superannuation / Pension Fund: Amount received from the funds by the employee at the end of service will be Accumulated Balance of Unrecognized Provident Fund Amount received by the employee at the end of service will be added with salary to the extent of "Profits in lieu of salary" or "Profits in addition to salary" or Compensation. If an employee receives a certain amount from the employer as compensation for job termination or changing job condition by the employer, as "Profits in lieu of salary" or "Profits in addition to salary", the entire amount will be added with Wages. Generally, it is received by the workers against physical labor work. The Other benefits: If any benefit/annuity not discussed above, is provided to the employee, the members of his household or his dependents, there shall be included in his income equal to the amount which would have been expended by the employee in obtaining such benefit or annuity from an independent source in the same or near locality, had it not been so provided, as reduced by the amount, if any, expended wholly, necessarily and exclusively in the performance of the duties of the office held by him or actually paid by him in cash.

CLO

5.3

5.4

NON-ASSESSABLE SALARY INCOMES

Following salary incomes are non-assessable/exempted (6th Sch., Part 1, ITA, 2023). ☐ For employees other than government employees

- Lower of one third of total salary income or Tk. 450,000 (Para 27) Any special allowance, benefits or perquisite specifically granted and reimbursed to meet some official expenses. (Para 14)
- Gratuity up to Tk. 2.5 crore (Para 6)
- Interest on recognized provident fund if it does not exceed 1/3rd of salary income (Excluding the said amount) [Schedule 2, Part 3, Para 5]
- Any contribution received by the employee and employer from recognized provident fund, approved superannuation fund, pension fund, approved gratuity fund [Para 6]
- ☐ For government employees
 - Only, basic salary, festival allowance & bonus amount is taxable; other elements of salary including lump grants paid at the time of retirement are fully exempted from tax [SRO 225 - Law/IT-7/2023 dated 13 July 2023]. Exemption mentioned in Para 27 (Lower of one third of total salary income or Tk. 450,000) will not be applicable for the government employees.
 - Pension due or received from the government (Para 8)
 - Gratuity up to Tk. 2.5 crore (Para 5)

☐ For foreign and other specific types of employees For foreign and other specific types of ambassador, high commissioner, envoye and income received by any ambassador, high commissioner, envoye envoye

- Any income received by any income received by any income received by any minister, charge d'affairs, commissioner, counselor, secretary, advisor of an income (Para 2) embassy or high commission. (Para 2)
- embassy or high commission. Care an inter-government organization formed according to Salary of employee of an inter-government organization formed according to Salary of employee of an inter-government organization formed according to Salary of Employee. salary of employees and acco
- any Parliamentary Act of the Art as exempted by any SRO.

In addition to the above, NBR or Government exempted some employment income through issuing SROs, namely -

through issuing SNOs, manney

If salary tax is paid by employer, tax shall not be applicable on such paid tax [SRO 182-law/99, dated 01.06.1999].

☐ Foreign expatriate having technical knowledge employed by any company. operating for production of goods or rendering service in any Economic Zone (established as per Bangladesh Economic Zone Act 2010), 50% of tax payable by him/her will be exempted from income tax for 3 years from appointment by said company [SRO 298-law/2015, dated 08.10.2015].

EXHIBIT

5.4

Other Components of Salary Income

Case 1: Mr. X is paid monthly Tk. 20,000 as basic salary and he has also been provided with a monthly fee of The 500 for a special task conducted by him. In addition to it he is also given a 2 percent commission on net print (net profit Tk. 50,000) annually. So, the amount added with salary will be: Fee (500 \times 12) = Tk. 6,000 and Commission $(50.000 \times 2\%) = Tk. 1,000$.

Case 2: Mr. X is paid monthly Tk. 20,000 as basic salary and he also contributes 10% of his basic salary to a recognized provident fund. His employer also contributes the same amount. In this case, the amount that will be recorded under salary will be: employer's contribution to R.P.F. (240,000 × 10%) = Tk. 24,000.

Case 3: Mr. X is paid monthly Tk. 30,000 as gross salary and he has also earned Tk. 60,000 as interest on recognized provident fund. Here, income from interest on RPF as salary income will be zero [interest Tk. 70,000 less $1/3^{rd}$ of salary excluding the interest i.e. $1/3^{rd}$ of (360,000 - 60,000) = Tk. 100,000]

Case 4: Mr. X, an employee of a commercial bank, has accepted the option of job termination/voluntary retirement from his office. He has been given Tk. 15,00,000 as compensation / golden handshake money in this regard. In this case, full amount of Tk. 15,00,000 will be recorded under salary.

Case 5: Mr. Y, an employee of a commercial bank, has retired after 20 years of service. He has received Tk3 crore as gratuity and Tk. 50 lac as accumulated balance from the recognized provident fund. Here, his gratuity of Tk. 50 lac [Tk. 3 crore - exemption 2.5 crore] and Zero accumulated RPF [Tk. 50 lac - full exemption] will ke recorded under salary income.

Chargeability of Tax on Salary Income of Government Employees and

Following provisions have been introduced for chargeability of tax on salary income of the government employees and certain persons through different SROs:

Prime Minister, Speaker, Deputy Speaker, Ministers & advisors with minister rank, Members of the Parliaments, Chief Justice, Honorable Judges of High Court/Appellate Division of the Supreme Court

Only, basic salary or remuneration amount is taxable; other allowances (including festival bonuses) and elements of salary are fully exempted from tax [SRO 226 and 225 Law/IT/2011 dated 4th July 2011]

Government employees

Only, basic salary, festival allowance & bonus amount is taxable; other elements of salary* including lump grants paid at the time of retirement are fully exempted from tax [SRO225 Law/IT7/2023 dated 13.7.23]

medical allowance, new year allowance, house rent allowance, recreation allowance, education assistance allowance, in-charge allowance, hilltract allowance, travel allowance, conveyance allowance, tiffin allowance, dress allowance, entertainment allowance, washing allowance, special allowance, deputation allowance, deputation allowance in training institution, judicial allowance, post allowance, domestic aid allowance, risk allowance, acting allowance, motor cycle allowance, armor allowance, unconditional conveyance allowance, telecom allowance, cleaner allowance, driver allowance, mounted police allowance, PBX allowance, armed division allowance, bugler allowance, nursing allowance, daily or subsistence allowance, traffic allowance, ration money, border allowance, batman allowance, instructional allowance, appointment allowance, outfit allowance and guard

5.5

a.c.

CLO 5.4 5.7

SALARY ITEMS INCLUDED IN INVESTMENT ALLOWANCE

From basic salary, the employer can deduct a certain amount of money under various heads according to the contract between employer and employee. Of those some of the deductions are eligible to be considered for tax rebate included under the title Investment Allowance. As per the rules explained in the Part 3 of Sixth Schedule of the ITA, 2023, the following items are considered as a part of the investment allowance (as per para 3, 4, 5, 6, and 17):

- Any income deducted to a deferred annuity or for making provisions for his wife or children, provided that the sum so deducted shall not exceed 1/5 of the salary. Employee's contribution to a Government/Statutory Provident Fund.
- Employee's and Employer's contribution to a RPF.
- Ordinary annual contribution to approved superannuation fund.
- Employee's contribution to a benevolent fund or group insurance scheme.

5.5

EXHIBIT

Calculation of Salary Income [Schedule 1 of Income Tax Return Form]

	Government	Government Empty		Taxable	
		Amount	exempted (B)	(C = A - B)	
- 10	n dedam	Received (A)		- b)	
	Particulars				
1.	Basic pay			-	
2.	Basic pay Arrear pay (included in taxable income earlier)		7		
3.	Special pay	10			
4.	House rent allowance				
5.	Medical allowance				
6.	Conveyance allowance				
7.	Festival Allowance				
8.	Servant Allowance				
9.	Leave allowance				
10.	Honorarium/ Reward/Fee			. ,	
11.	Overtime allowance				
12.	Bangla New Year / Boishakhi Allowance				
13.	Interest accrued on govt. provident fund				
	Lump Grant				
	Gratuity			1	
16	Other if any (give detail)				

Salaried Employees other than Government Employees

Particulars	Taka	Taka
1. Basic pay		, , ,
2. Allowances (House Rent, Conveyance, Medical etc.)		
3. Advance Salary	. Oak That	384
4. Gratuity / Annuity / Pension / Any Supplement		Cal
5. Perquisites		C
6. "Profits in lieu of salary" or "Profits in addition to salary"		
7. Income earned from Employee Share Scheme		
8. Rent free accommodation	11 11 11	
9. Conveyance facility		
10. Any other benefits from the employer	1	
11. Employer's contribution to RPF		
12. Others (if any)		
13. Total Salary Receipt (Addition of 1 to 12)		
14. Less: Exempted Portion: (According to Part 1 Ch p. 1	14.77	XXXX
15. Total Income from Salary (13-14)	1980	XXXX
म ।	11. 11.	XXXX

5.6

5.3

5.4

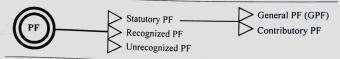
5.6

5.7

it.

PROVIDENT FUNDS

Provident fund (PF) is the fund where funds are accumulated during the active period of employees for his financial protection at the end of his service life through contribution by the employee or the employer or both. The amount lying in the fund is invested in trust securities that yield fair but secured returns. When an employee leaves his service either on retirement or for any other reason, he gets back the money standing to the credit of his PF account. In case of death of the employee, the amount is refunded to his nominee. PF is a social security measure provided to employees for his rainy days of post-employment period. There are three types of provident fund:



Statutory or Government Provident Fund: This PF is controlled and maintained by the government for the government employees, and run and constituted under PF Act 1925, General PF Rules 1979 and Contributory PF Rules 1979. Government employees, who are permanently transferred to pensionable jobs, contribute to the general PF where government as an employer contributes nothing. But, government employees, who have no benefits from pension, contribute to contributory PF where both the government and the employee contribute. Most of the government employees of our country are pensionable. Key points for tax computation in this regard are:

- Employer does not contribute to general PF. But government contributes to contributory PF which shall be included with salary income.
- Employee's contribution to statutory/government provident fund will be included in investment allowance.
- □ Accumulated balance of GPF at the credit of employees when received, is neither included in his total income nor taxed [Para 6, Part I of 6th Schedule, ITA, 2023].

Recognized Provident Fund: Recognized Provident fund (RPF) is constituted under the conditions mentioned in Part 3, Second schedule of the ITA 2023 and approved by the commissioner of taxes. These funds are available in non-government organizations where both employees and employer contribute the same amount. In order that a provident fund may receive and retain recognition, it shall satisfy the conditions set out below and any other conditions which the NBR may prescribe:

- ☐ All the employees shall be employed in Bangladesh or shall be employed by an employer whose principal place of business or head office is in Bangladesh. In exceptions, the recognition criteria depend on the Commissioner's judgment.
- ☐ Employer must deduct a certain percentage from the salary of employee and deposit the same to the fund.
- ☐ Employer will contribute the same amount as deducted from the employee.
- ☐ RPF will constitute taking the contribution of both the employer and employee.

Total



Mr. Mollick receives basic salary of Tk. 50,000 per month. His other benefits are: rent Mr. Mollick receives basic salary of the data of Tk. 120,000; a 1500 cc full time car-free accommodation with annual rental value of Tk. 120,000; a 1500 cc full time carfree accommodation with annual remute that he uses for both personal and office purposes; leave encashment 11 days basic that he uses for both personal and office income from (a) rent free accommodation. that he uses for both personal and office income from (a) rent free accommodation (b) salary. Calculate Mr. Mollick's taxable income under the head salary. conveyance facilities and (c) income under the head salary.

	of two or more persons.
D	The fund will be managed by trustee of two or more persons. The fund will be managed by trustee of two or more persons. Employer will not be able to take any amount from the fund. Employer will not be amount deposited to his account including principal
_	Employer will not be able to take any amount deposited to his account including principal Employee will receive the amount deposited to his account including principal Employee will receive the amount deposited to his account including principal Employee will receive the amount deposited to his account including principal Employee will receive the amount deposited to his account including principal Employee will receive the amount deposited to his account including principal Employee will receive the amount deposited to his account including principal Employee will receive the amount deposited to his account including principal Employee will receive the amount deposited to his account including principal Employee will receive the amount deposited to his account including principal Employee will receive the amount deposited to his account including principal Employee will receive the amount deposited to his account including principal Employee will receive the amount deposited to his account including principal Employee will receive the amount deposited to his account including principal Employee will receive the amount deposited to his account including principal Employee will receive the amount deposited to his account including principal Employee will receive the amount deposited to his account the amou
	Employee will receive the time of leaving the job. and interest at the time of leaving the time of tay computation.
_	the manufacture of the computation,
For	a towar's contribution and mercanic
ш	
	Accumulated balance of the KTT, and a straight income under Para 6, Part 1 of Sixth Schedule of the 1TA, 2023.
reco	recognized Provident Fund: Unrecognized provident fund (UPF) is not the posized or statutory fund, i.e., this fund is not constituted under Part 3, 2 nd sch. of ITA 2023 or under any other applicable acts or laws and is not approved by the imissioner of taxes. In this fund, both the employees and employer contribute and erally it is found in non-government organization. In this case, the employers tribution and interest thereon is not included in the total income of the employee, he time of the employee's retirement, the accumulated balance of the UPF except loyees' contribution and interest thereon is included in the total income. In titon, following points are relevant at the time of tax computation. Employer may contribute as well as employee to this provident fund, but nothing will be added in the salary income. At the time of employee's retirement, the accumulated balance of this fund minus the employee's contribution plus interest thereon is taxable salary income.
	The state of the s

Comparative Analysis of Provident Funds

[PF: Provident Fund; GPF: General PF; CPF: Contributory PF; RPF: Recognized PF and UPF; Unrecognized PF]

ш	Applio	able L	aw
	CDC		

EXHIBIT

GPF : Provident Fund Act, 1925 and General PF Rules, 1979 CPF : Provident Fund Act, 1925 and Contributory PF Rules, 1979

RPF : First Schedule, Part B of Income Tax Ordinance, 1984

□ Type of employees

GPF : Government employees with pension benefit

CPF : Government employees without pension benefit

RPF : Non-government employees employed by Bangladeshi employer IIPF : Other non-government employees

☐ Fund Management

GPF : Government manage this fund within Bangladesh in taka CPF : Government manage this fund within Bangladesh in taka

RPF : Government manage this fund within Bangladesh in taka

UPF : Employer himself manage the fund

☐ Employee's contribution

CPF : Under rule 5 of the GPF Rules 1979, after 2 years of job, all employees have to contribute. IJ employee wants contribution may be given from the beginning and can be stopped at 52 years of age. Amount is set by the employees under rule 9, but minimum rate will be:

Monthly Salary (Tk.)	Up to 600	601 - 1,000	1,001 - 1,500	1,501 - 4,000	Above 4,000
Rate	2%	4%	6%	8%	10%

CPF : Under Rule 7, each employee has to contribute to CPF monthly. Under Rule 8, the employee himself determine the rate of contribution that will not be less than 8.33%

RPF : Under Para 3, employee will contribute a fixed portion of his basic. If any employee holds voting rights of more than 5% of any company, his contribution will not be more than Tk. 500 [Rule 55].

UPF: The rate is determined by the rules set by the company under consideration.

☐ Employers' contribution

GPF : Government as an employer contributes nothing.

 CPF : Under rule 11(1), government as an employer pays an equal amount as the employee pays.

RPF : Employer will not contribute more than the employee. But, if the monthly income of the employee is not more than 500, employer may contribute more but that must not be more than twice of the employee's contribution [rule 58(1)]

UPF: If mentioned in the contract, employer may contribute equal amount as the employee contributes. It may be non-contributory also.

□ Rate of interest

5.6

GPF : Set by government. Presently, the rate is 13%.

CPF : Same as general PF

RPF : It depends on where the fund is invested.

UPF : It depends on where the fund is invested.

AD RE SYS ディオル THE PATE OF THE WAY Tax assessment rules for different components of provident fund

In calculating taxable income employees Contribution! will be added with salary employers' Contribution will be added with salary N/A Yes Yes No interest on PF will be added with salary No Yes2 No amount received at retirement will be added with salary3

Remain with salary, no further addition is thus required, 2Will be added with salary interest amount exceeding 1/3rd of total salary (excluding the said interest) [Para 5, Schedule 2] , 3Sixth Schedule, Part 1, Para 6, 4Will be added with salary to the extent of employers' contribution and the interest thereon.

Exemption rules for different components of provident fund

Is it exempted from tax?	•	GPF	CPF	RPF UPF
Employees Contribution		Yes	Yes	Yes No
Employers' Contribution		N/A	Yes	Yes N/A
Interest on PF		` N/A	N/A	Yes N/A
Amount received at retirement		N/A	N/A	N/A No

5.3

5.4

5.6

5.7

5.8

CLO

5.3

5.4

5.6

CLO

5.5

Bangladesh Income Tax - Theory and Practice

APPROVED SUPERANNUATION FUND (ASF) OR PENSION FUND (APF) This fund is created for granting pension and other benefit to the employees on their 5.7 CLO

This fund is created for granting pension and their retirement, or after a specified age or death. This is run by employee's name. This retirement, or after a specified age or death. The provisions of Part 1, Second Schedule. retirement, or after a specified age of Part 1, Second Schedule of the ITA fund is approved and run under the provisions of Part 1, Second Schedule of the ITA fund is approved and run unuer the properties of the ITA, 2023. Both employee and employer contribute to the fund. The contribution of the 2023. Both employee and employee. But interest on this fund and any employer is added to the income of the employee. Advantages of ASF amount received from it is not added to income. Advantages of ASF are: ☐ Interest and other income from the fund is totally tax exempted.

- ☐ Interest and outer income.
 ☐ Any gain from sale or transfer of capital asset of the fund is tax-free income.
- Employees' contribution to the fund will be tax rebate able. ☐ Total amount received from the fund at retirement is tax exempted.
- ☐ The contribution of the employer is treated as admissible expense for him.

APPROVED GRATUITY FUND (AGF)

If the employer agrees to constitute a gratuity fund for the employees on the contract of job, then the employer contributes to the gratuity fund for the benefit of the employees in the event of retirement. The approved gratuity fund is approved by NBR and run under the conditions mentioned in Part 2, First Schedule, ITA 2023. Employee contributes nothing in this fund. The contribution of the employer is considered as income of employee. But interest on this fund and any amount received from it is not added to income. Advantages of AGF include:

- ☐ Income from the fund is totally tax exempted.
- ☐ Any gain from sale or transfer of capital asset of the fund is tax-free income. ☐
- ☐ Total amount received from the fund at retirement is tax exempted.
- $\hfill \square$ The contribution of the employer is treated as admissible expense for him.

TAX DEDUCTED AT SOURCE FROM SALARY 5.9

Under section 86(1) of the ITA, 2023, any person who is responsible for paying any payment under the head "Income from Employment" to a recipient shall, at the time of payment, deduct tax at the average rate of tax applicable to the estimated total income of the payee under that head. At the time of making deductions under subsection (1), the amount to be deducted may be increased or decreased for the purpose of adjusting any excess or deficiency arising out of any previous deductions or failure to make deductions [Sec 86(4)]. The tax so deducted shall be adjusted against the tax liability at the time of regular assessment.



Mr. Akmal is a government employee enjoys general provident fund benefit whereas Mr. Maula a non-government employee enjoys recognized provident fund benefit How can you differentiate provident fund benefits of these two employees?

INTERNATIONAL PRACTICE



A pay-as-you-earn tax (PAYE) or pay-as-you-go (in Australia and the United States) is a withholding tax on income payments to employees. Amounts withheld are treated as advance payments of income tax due. They are refundable to the extent they exceed tax as determined on tax returns. PAYE may include withholding the employee portion of insurance contributions or similar social benefit taxes. In most countries, they are determined by employers but subject to government review. PAYE is deducted from each paycheck by the employer and must be remitted promptly to the government. Most countries refer to income tax withholding by other terms, including pay-as-you-go tax. (Source: Wikipedia)

SOLVED PRACTICAL CASES (SPC)

BASIC BENEFITS UNDER SALARY

Mr. Abdur Rahman is a service holder. Compute his taxable income from employment and investment allowance for the current income year considering his basic salary (BS) Tk. 20,000 per month (pm); dearness allowance 10% of BS; two festival bonuses, each equal to one month's BS; house rent allowance 40% of BS; medical allowance Tk. 2,500 pm (actual expense Tk. 22,500).

He also received entertainment allowance Tk. 100 pm (actual expense Tk. 1,000); conveyance allowance Tk. 3,000 pm; and commission Tk. 3,000. Mr. Rahman and his employer contributed 10% of his BS to a recognize provided fund (RPF).

Assessee: Abdur Rahman	Assessment Year: 2024 - 2025	5 II	come Ye	ar: 2023 – 2024
Income from Employment (se	ection 32)	A	mount	Amount
Basic pay	50 5.1 8 F	Tk.	240,000	61 5 307
Dearness allowance			24,000	SALE SALES
House rent allowance			96,000	
Medical allowance	e de atom		30,000	
Conveyance allowance			36,000	
Festival Allowance			40,000	
Commission			3,000	
Other allowances (entertainme	ent)	20.00	1,200	w
Employer's contribution to RI	PF	30 - TEE.	24,000	
Total receipt from salary	TO A COLDER IN RUNDER OF THE	ar die	E. T. C.	Tk. 494,200
	/3rd of total salary income and Tk. 450			R
	4,200 ÷ 3) = Tk. 164,733 and Tk. 450			Tk. 164,733
Income from Salary				Tk. 329,467

Investment Allowance: Employer's contribution to RPF Tk. 24,000 + Employee's contribution to RPF Tk. 24,000 = Tk. 48,000.

Bangladesk Income Tux - Theory and Practice



RENT FREE ACCOMMODATION, CONVEYANCE FACILITY RENI FREE ACCOMMODE. Considering the following particulars of his income Mr. Salman is a service holder. Considering the following particulars of his income Mr. Salman is a service holocome and investment allowance for the current income year, compute his taxable income and investment allowance. for the current income year. 25,000 per month; dearness allowance 10% of BS; two His basic salary (BS) is the control of the basic salary (BS) is the ba restival ponuses, each equal rental value of which is Tk. 150,000; a 1500 cc car for rent-free quarter, the annual rental value of which is Tk. 150,000; a 1500 cc car for both office and private use; and medical allowance Tk. 3,000 per month. During the year he received Tk. 6,000 as traveling allowance for official purpose. He contributes to an unrecognized provident fund @ 10% of BS and received interest on the accumulated balance of the fund @ 13% Tk. 2,500. He is also given servant allowance of Tk. 200 per month. He contributes 1% of his BS to a group insurance scheme. He deposits monthly Tk. 12,000 in a deposit pension scheme.

	Assessment Year: 2024 - 2025	Income Yea	r: 2023 – 2024
ASSESSEE, Salition		Amount	Amount
income from Employment (section .	32)	Tk. 300,000	- 8
Basic pay (25,000 × 12)		30,000	
Dearness allowance (10% of Tk. 300),000)	50,000	1.00
Festival bonus (25,000 × 2)		150,000	
Rent free accommodation (note 1)		120,000	
Conveyance facility (note 2) (10,000	× 12)	36,000	
Medical allowance (3,000 × 12)		2,400	
Servant allowance (200 × 12)			T1
Total receipt from salary			Tk. 688,400
Less: Exempted - Lower of 1/3rd of t	total salary income and Tk. 450,000		
i.e. (Tk. 688,400 ÷	3) = Tk. 229,467 and Tk. 450,000		Tk. 229,467
Income from Salary		1	Tk. 458,933

Notes: (1) Rental value i.e., Tk. 150,000 (2) Monthly @ Tk 10,000 (3) Since the travelling allowance was given for official purpose, the full amount is non-assessable.

> Actual allowable investment: Employee's contribution to group insurance scheme 1% of BS (300,000 \times 1%), i.e., Tk. 3,000 + contribution to DPS (12,000 \times 12 = Tk. 144,000 but maximum limit is Tk. 120,000), i.e., Tk. 120,000 = Tk. 123,000.



CONCESSIONAL ACCOMMODATION, CONVEYANCE FACILITY & ALLOWANCE, ARREAR SALARY, TELEPHONE BILL REIMBURSED, COMPENSATION

Mr. Nahid Hasan Khan is a service holder. He received basic salary (BS) Tk. 25,000 per month; dearness allowance 10% of BS; two festival bonuses, each equal to one month's BS. He has been provided with a house at a concessional rate for which Tk. 7,000 per month is deducted from his salary. The annual value of the house is Tk. 150,000. He has been provided with a 2000 cc car for both office and private use. Besides, he is also provided with Tk. 1,000 per month as conveyance allowance. He has also been provided with telephone facilities at his residence. The telephone bill

reimbursed for the year amounted to Tk. 12,000. During the year, he received arrear salary of Tk. 16,000, not charged to income for any earlier income year. Both Mr. Khan and his employer contributed @ 10% of BS to an unrecognized provident fund. From the previous employer, he received compensation Tk. 50,000; gratuity Tk. 50,000 and overtime allowances Tk. 5,000. Compute his taxable income from employment considering the given particulars for the current income year.

Assessee: Nahid Hasan Khan A	ssessment Year: 2024 - 2025	Income Year	: 202	3 – 2024
Frome from Employment (section 32)		Amount	A	mount
pusic pay (25,000 × 12)		Tk. 300,000		100
Dearness allowance (10% of 1k, 300,000	0)	30,000		1
coetival bonus (25,000 × 2)		50,000	1	=:50
Concessional accommodation [note 1]		66,000		**** ? ·
Conveyance facility [note 2]		120,000		
Conveyance allowance (1,000 × 12)		12,000		
Telephone bill reimbursed by employer		12,000		
Arrear salary received		16,000		
Compensation received		50,000		
Overtime allowance		5,000		
Total receipt from salary		4	Tk.	661,000
Less: Exempted – Lower of 1/3rd of tota	I salary income and Tk. 450,000			
i.e. (Tk. 661,000 ÷ 3)	= Tk. 220,333 and Tk. 450,000		Tk.	220,333
Income from Salary			Tk.	440,667
1. 1	and the second of the second		-	

Notes: (1) Rental value Tk. 150,000 less rent paid by the assessee $(7,000 \times 12 = 84,000)$. Thus, taxable income is Tk. 150,000 - Tk. 84,000 = Tk. 66,000. (2) Monthly @ Tk 10,000 (3) Gratuity upto Tk. 2.5 crore is exempted from tax. (4) Employer's contribution to unrecognized provident fund is excluded from total income.



GOVERNMENT EMPLOYEE

Mr. M. Hossain, the Additional Secretary of the Ministry of Finance, Government of the People's Republic of Bangladesh receives basic salary (BS) of Tk. 40,000 per month in the current income year. Besides, he received house rent allowance @ 60% of BS; medical allowance Tk. 2,000 per month, conveyance allowance Tk. 1,500 per month. During the year, he received two festival bonuses, each equal to one month's BS and Tk. 8,000 Bangla New Year Allowance. He contributes 10% of BS in a statutory provident fund (SPF) and interest earned from the said SPF Tk. 30,000 during the year. Compute taxable income for Mr. Hossain for the income year.

Assessee: M. Hossain Assessment Yo	ear: 2024 – 2025	Income Year: 2023 - 20			
Income from Employment (section 32)	Earned	Exempted	Taxable		
Basic pay (40,000 × 12)	Tk. 480,000	Tk	Tk. 480,000		
House rent allowance (60% of Tk. 480,000)	288,000	288,000	-		
Medical allowance (2,000 × 12)	24,000	24,000	· -		

Bangiaacsn income tax	18,000	18,000	
Conveyance Allowance (1,500 × 12)	80,000	-	80,000
Festival bonus (40,000 × 2)	8,000	8,000	,-00
Bangla New Year Allowance	Tk. 898,000	Tk. 338,000	Tk. 560,000
Total income from salary			,,,,,,

Notes: As Mr. Hossain is a government employee, only basic salary, bonus and festival allowance is taxable, All other allowances are fully exempted from tax as per SRO 225 – Law/IT-7/2023 dated 13 July 2023 – Ref. 5.5



SALARY STRUCTURE, RENT-FREE ACCOMMODATION, TRAVEL ALLOWANCE, COMPUTING TAX LIABILITY, MINIMUM TAX

On the last month of the income year, Mr. Azad Rahman's basic salary (BS) falls on Tk. 32,000 in the scale of $30,000 - 2,000 \times 4 - 38,000$. Date of annual salary increment is on 1st April. He received dearness allowance and medical allowance both @ 10% of BS per month. During the year, his actual amount of medical expenses was Tk. 30,000. He received three bonuses, two festival (in August and January) and one performance bonuses (in May) each equivalent to one month's BS. He contributes 10% of his BS to a recognized provident fund (RPF). His employer also contributes the same amount to the RPF. He has been provided with a rent-free quarter (annual rental value Tk. 180,000) and a 1500 cc car for both official and personal use. During the year he has also received an entertainment allowance of Tk. 13,000 of which Tk. 10,000 has actually been spent. He has also received arrear salary of Tk. 60,000 which has not been taxed earlier. He has been given travel allowance of Tk. 10,000 during the year for an official tour. His investments during the year include: purchase of listed company's and partnership firm's shares Tk. 20,000 and Tk. 5,000 respectively; purchase of gold Tk. 10,000; payment of his life insurance premium Tk. 40,000 (policy value Tk. 350,000); purchase of books and magazine Tk. 3,000; monthly contribution to: a deposit pension scheme Tk. 4,000 and Bangladesh Universal Pension Scheme (Progoti) Tk. 3,000; and donation to the Baitul Mokarram Mosque Tk. 10,000. Compute taxable income and tax liability of Mr. Azad Rahman for the year assuming that he is a taxpayer of Dhaka North City Corporation Area.

	ssment Year: 2024 - 2025	Income Year	: 2023 - 2024
Income from Employment (section 32)		Amount	Amount
Basic pay $[(30,000 \times 9) + (32,000 \times 3)]$		Tk. 366,000	711100111
Dearness allowance (10% of Tk. 366,000))	36,600	
Medical allowance (10% of Tk. 366,000)	(note 1)	36,600	
Bonus (30,000 + 30,000 + 32,000)		•	
Employer's contribution to RPF (10% of	366,000)	92,000	
kent free accommodation	,,	36,600	
Conveyance facility (CF) (note 2)		180,000	1. 1. 181. A
Entertainment allowance	4.4		Services Citi
Arrear salary		13,000	. Carrie
Total receipt from salary	1.60 %	60,000	il r isirati
176		C . July 5.5.	k. 940,800

Exempted - Lower of 1/3rd of total salary income		
Less: Exempted Lower of $1/3^{rd}$ of total salary income and Tk. 450.0 i.e., $(Tk. 940.800 \pm 3) = Tk. 212.600$	000.	
i.e., (Tk. 940,800 ÷ 3) = Tk. 313,600 and Tk. 450,0 Income from Salary	000	Tk. 313,60
Income		Tk. 627,20
Tax computation and Payment		1 1 1 1 1 1 1
cross tax before tax rebate (workings)		1 3,50
Less: Tax rebate (Schedule 5)		Tk. 22,72
Net tax after tax rebate (a)		18,81
Minimum tax (b)		3,90
Net amount payable [higher of (a) and (b)]		5,00
Net amount payable [inglier by (a) and (b)]		5,00
Add: Surcharges - Net Wealth/Environmental Surcharge (if any)		
Add: Interest, fine, or any other payment under ITA, 2023		
Total Amount Payable		5,00
Less: Payments –		
a. Tax deducted or collected at source	Tk.	
b. Advance tax paid		
c. Adjustment of tax felund (If any, mentioning the year)		
d. Amount paid with return [Balancing Figure]	5,00	0
Total amount paid and adjusted $(a + b + c + d)$		5,00
Deficit or excess		Tk.
Tax exempted income		Tk. 313,600
of the state of th		1K. 313,000
Schedule 5	* **	
Particulars of investment allowance	· · · · · · · · · · · · · · · · · · ·	Amount
Purchase of shares of listed company		Tk. 20,000
2. Employee's & employer's contribution to RPF (36,600 × 2)		73,200
3. Payment of life Insurance Premium 40,000; maximum 10% of the	nolicy value	35,000
4. Contribution to Deposit Pension Scheme (4000 × 12)	policy value	48,000
5 Contribution to Universal Pension Scheme (3000 × 12)		36,000
Total investment allowance		
Tax Rebate		Tk. 212,200
	,	Lower of
Bi 15% on total investment allowance (Tk. 212,200 @ 15%)	,	A, B, and C,
0/4 Tk: 1,000,000 1 14 5 5 5 5 14 14 14 14 14 14 15 14 14 15 14 14 15 14 14 15 14 14 15 14 14 15 14 14 15 14 1	k. 1,000,000	i.e., Tk. 18,816

*excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable

Workings: Computation of gross tax liability

-- nted -- I ower of 1/2rd - c.

	On first Tk. 350,000	On next Tk. 100,000 C	On next Tk. 177,200	Total Tk. 627,200
Rate	0%	5%	10%	•
Tax	is Marking Royal	5,000	17,720	22,720

Notes: (1) Actual medical expense is irrelevant. (2) Monthly @ Tk. 10,000. (3) Travel Allowance: Fully exempted when given for office tour.

WOMEN TAXPAYER, BILLS REIMBURSEMENT, DRIVER ALLOWANCE, TRAVE

ALLOWANCE, COMPUTING TAX LIABILITY Ms. Namura Nahar is the head of Accounts of a multinational company in

Ms. Nazmun Name is the company on the first day of this income year as her first iob. She has received the following income for the year. You are required to calculate her total income and tax liability for the year:

Basic pay (BS) Tk. 150,000 per month sent directly to her bank account; rent free basic pay (D3) 18. (2001) the annual rental value of the house is Tk. 500,000; a fully furnished accommodation. the annual rental value of the house is Tk. 500,000; a full time 3,000 cc company car for her own use and for her family; driver's salary of the full time car Tk. 10,000 per month paid to her driver's bank account; company pays Tk. 20,000 per month for her two school going children which is paid to the school authority directly; she received two festival bonuses each equivalent to BS during the Eid time which she spent partly for her family and partly for the poor people in her village: company paid Tk. 190,000 to her during the year being the reimbursement of various utility bills of her house: personal mobile bill paid by the company Tk. 5,000 per month. She was paid Tk. 200,000 for her overseas travels for a recreation trip as a reward for good performance during the year; Bill paid for the membership of an international club by the company Tk. 250,000. She also received a medical allowance Tk. 15,000 per month: during the year actual medical expense was Tk. 100,000: entertainment allowance Tk. 10,000 per month; actual expense in this regard Tk. 150,000. She received 2,000 shares (face value Tk. 10 per share, Market value Tk. 20 per share) under the Employee Share Scheme from the company at a 50% discounted price on May 30. She has contributed 10% of her BS to a recognized provident fund (RPF). Her employer also contributed the same amount. She earned interest Tk. 66,000 on the said fund @ 13% during the period. She has contributed 2% of her BS to a group insurance scheme.

During the year she has claimed the following expenditures for investment allowance: purchase of debentures from the DSE Tk. 25,000; life insurance premium Tk. 20,000 (policy value Tk. 250,000); household expenses Tk. 200,000; payment to income tax lawyer Tk. 25,000; purchase of savings certificate Tk. 600,000; donated to the Bangladesh Muktijuddho Jadughor, Government Zakat Fund, and a Charitable Hospital in Gaibandha Tk. 50,000. Tk. 25,000, and Tk. 10,000 respectively. She paid installment for a 5 katha plot to the Bashundhara Group Tk. 40,000 and Purchased gold of Tk. 100,000. Her net wealth at the end of the income year was valued at Tk. 5 erore (including 2 motor cars of 1500 cc and 2000 cc respectively). Tax deducted at source Tk. 300,000; Advance tax paid for motorcars in total Tk. 75,000.

Assessee: Nazmun Nahar	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024		
Income from Employment (see Basic pay (150,000 × 12)	ction 32)	Amount Amount		
Rent Free Accommodation (An		Tk. 1,800,000 500,000		

	compter - o meeme y	om zmprog
Conveyance Facility (Monthly @ 25,000) (note 1)	300,000	
inexpance for children (20,000 × 12)	240,000	
2 costs (150,000 × 2) (note 2)	300,000	
hills reimbursed by the company	190,000	
Mobile bill allowance (5,000 × 12)	60,000	
Travel Allowance	200,000	
Club membership fee	250,000	
Medical allowance (15,000 × 12) (note 3)	180,000	
Entertainment allowance (10,000 × 12) (note 4)	120,000	
Income from Employee Share Scheme (note 5)	30,000	
Employer's contribution to RPF (10% of 18,00,000)	180,000	
Interest on RPF @ 13% (note 6)	66,000	
Total receipt from salary		Tk. 4,416,000
Less: Exempted –		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
1. Lower of 1/3rd of total salary income and Tk. 450,000		
i.e. (Tk. 44,16,000 ÷ 3) = Tk. 14,72,600 and Tk. 450,000	Tk. 450,000	
2. Full interest on RPF (note 6)	66,000	Tk. 516,000
Income from Salary		Tk. 3,900,000
-		
Tax computation and Payment		. 2
Gross tax before tax rebate (workings)		Tk. 720,000
Less: Tax rebate (Schedule 5)		117,000
Net tax after tax rebate (a)		603,000
Minimum tax (b)	* '	5,000
Net amount payable [higher of (a) and (b)]		603,000
Add: Surcharges = Total Add Surcharges = Total Add Surcharges	CORONINAL INCOME	
Net Wealth Surcharge (10% of Tk. 603,000)	Tk. 60,300	
Environmental Surcharge (for the higher capacity car of 2000	cc) 50,000	140,300
Add: Interest, fine, or any other payment under ITA, 2023		12 //-
Total Amount Payable		713,300
Less: Payments –	t was a second	
a. Tax deducted or collected at source	Tk. 300,000	
b. Advance tax paid	75,000	
c. Adjustment of tax refund (if any, mentioning the year)		
d. Amount paid with return [Balancing Figure]	338,300	
Total amount paid and adjusted $(a + b + c + d)$). · 	Tk. 713,300
Deficit or excess	Par.	Tk
Tax exempted income		Tk. 516,000
- same inpect meanite		

Schedule 5

Particulars of investment allowance		2.70		A	mount
Purchase of debentures	Jan 1		1.4	Tk.	25,000
2. Employee's & employer's contribution to	RPF (180,000 ×	2)	- 1-1		360,000

3.	Payment of life Insurance Premium	20.000: maximum 10% of	the policy value
4.	Purchase of Savings Certificate Tk.	600,000 (Maximum upto T	the policy value 20,000 k. 500,000
5.	Contribution to Bangladesh Muktiji	uddho Jadughor	500,000
6.	Contribution to Government Zakat	r 1	50,000
7.	Contribution to a Charitable Hospit		25,000
8.	Contribution to Group Insurance Sc		10,000
Tot	al Investment Allowance	(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	36.000
	Rebate A Section 1997	i da	1 k. 1,026,000
A.	3% of total income*	(Tk. 3,900,000 @ 3%)	Total Control of the
	15% on total investment allowance	(Tk. 1,026,000 @ 15%)	20wer of
	Tk. 1,000,000	(1 m 1,020,000 to 1570)	Tk. 153,900 A, B, and C,

Tk. 1,000,000

Workings: Computation of gross tax liability

م رفعا م رفعا	400,000	On next Tk. 100,000	On next Tk. 400,000	On next Tk. 500,000	On next Tk. 500,000	On next Tk. 20,00,000	- otal (1K.)
Tax	@ 0%	@ 5% 5,000	@ 10% 40,000	@ 15% 75,000	@20% 100,000	25% 500,000	720,000

Notes: (1) Driver's salary of the full-time car is irrelevant, as driver is a part of full-time car. So, no additional amount will be added in this regard (2) How the bonus money is spent, is irrelevant (3) Actual medical expense is irrelevant (4) Actual entertainment expenses is irrelevant (5) Market price – Acquisition price i.e. [(2,000 × Tk.20) $\frac{1}{1000}$ (2,000 × Tk. 5)] = Tk. 30,000 (6) As per 2nd schedule, part 3, para 5(2), interest on RPF is exempted up to $\frac{123}{13}$ of salary income excluding the said interest [i.e., 1/3rd of (Tk. 44,16,000 - Tk. 66,000) = Tk. 14,50,000].



SALARY INCREMENT, TDS, INTEREST ON SANCHAYPATRA, TAX LIABILITY DEA

On the first day of the current income year, Mr. Tareq Anwar's basic salary (BS) falls on Tk. 52,000 in the scale of 40,000 - 4,000 × 8 - 72,000. His date of yearly salary increment is on 16st April. He received dearness allowance @ 20% of BS and medical allowance Tk. 3,000 per month. During the year, his actual amount of medical expense was Tk. 30,000. He has also received Tk 50,000 as medical bill reimbursement for his eye operation. He received two festival bonuses (in September and December) and one performance bonus (in May) each equivalent to one month's BS. He contributes 10% of his BS to a recognized provident fund (RPF). His employer also contributes the same amount to the RPF. He has been provided with a concessional accommodation facility (annual rental value of Tk. 160,000) for which the company charges him only Tk. 5,000 per month and Tk. 5,000 conveyance allowance per month. The company gave him an international air ticker for a tour as a part of his service contract for which the company spent Tk. 35,000. During the year he has also received an entertainment allowance of Tk. 30,000, Servant allowance Tk. 12,000, Leave encashment Tk. 20,000. His taxable wincome from vother usources (interest on Bangladesh Savings Certificate/Sanchaypatra) was Tk: 200,000 during the year. 2 Implyed & employer's entitioned and experience

His investments during the year w Tk. 70,000; purchase of a register life insurance premiums: self Tk 10,000 (policy value Tk	Office Change	
Tk. 10,000; purchase of a register 10,000 (policy value Tk. 120,000 contribution to a super.	chapter - 5 In	come from Employment
life insurance premiums: self Tk 10,000 (policy value Tk: 120,00 Hospital Tk. 15,000 (a superannuation	ere: purchase of a private to	, Jugant
10,000 (police premiums: self Til	ed partnership firm's show	mited company's share
10,000 (policy value Tk. 120,00 contribution to a superannuation Hospital Tk. 15,000. Care	. 12,000 (policy value Tie	1k. 8,000; payment of
Hospital Ti	(1); purchase of books	100,000), spouse Tk.
1K. 15,000.	fund Tk 500	magazine Tk 3 000.

Hospital Tk. 15,000; Contribution to DBBL Deposit Pension Scheme @ Tk. 6,000 per month; Contribution to BD Universal Pension Scheme (Progoti) @ Tk. 5,000 per month. Compute taxable income and tax liability of Mr. Tareq Anwar for the year, assuming that he is the father of a handicapped / special child and his employer deducted Tk. 25,000 TDS from his salary. TDS on interest on Bangladesh Savings

Assessment Year: 2024 – 2025	Taxas and	
Basic pay $[(52,000 \times 9.5) + (56.000)$	Income Yea	r: 2023 – 2024
	Amount	Amount
Medical Allowance (3.000 × 12)	Tk. 634,000	- 1
Bollus (32,000 + 57 000 + 56 000)	126,800	, t
Employer's contribution to pro-	36,000	
Concessional accommodation (4 of 634,000)	160,000	
Concessional accommodation (Annual/Rental Value – rent paid)	63,400	a 98
Entertainment allowance	100,000	.1,
Servant Allowance	60,000	ate e j
Leave encashment	30,000 12,000	201 21
Total receipt from salary	20,000	
Lower of 1/3rd of total salary income and Tk. 450,000 i.e. (Tk, 12.42 200/3) = Th. 450,000	20,000	Tk. 1,242,200
Income from Employment (On which regular rate is applicable) Income from Financial Assets (Section 62) Interest on Sanchaypatra: Min. tax is applicable 1/5 163 105 (cm. 4.5)	Marchael at aos Marchael at aos Marchael at aos	414,067 828,133
	ic.	200,000
BY Computation and parking the		Tk. 1,028,133
-ua computation and Payment		an die essen
		(1) (1) (1) (1) (1) (1)
coss. Tax redate (Schedule 5)	of the state of th	1k. 57,813
Net tax after tax rebate (a)	16	24,844
Minimum tax (b)		32,969
N BENEFITS. SALARY [WEI [G)/Entit (a) fo rangin] aldayan turons taken	AIVAIT ALARM	5,000
Add: Surcharges + 10.1 ft. 2 and the for the reposit 8.1 ft. 2 and the	UNIAMINES (32,969
Net Wealth Surcharge (if any) 2/1 webs. d voi 10020	. Tk	I SPR
come Environmental Surcharge (if any). doi: 901 101 100 101 in before	In att.	18 80
an intermediate of training out and the second of the	1 11 11 11 11	
Add: Interest, fine, or any other payment under ITA, 2023 believes		

Total Amount Rayable A Ath ordinated the strong of day security and a

01. 1-

i.e., Tk. 117,000 * excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable

Bangladesh Income Tax - Theory and Practice

thing amount	Tk. 45,000	
Less: Payments a. Tax deducted or collected at source (note 5)	-	
a. Tax deducted or confected		
b. Advance tax paid c. Adjustment of tax refund (if any, mentioning the year)		
c. Adjustment of tax refund (11 airy, 111)		4.
		45,000
d. Amount paid water (a + b + c + d) Total amount paid and adjusted (a + b + c + d)		Tk. (12,031)
Duffinit or PICCSS		Tk. 414,067
Tax-exempted income (see schedule 1)		

Schedule 5	Α	mount
Particulars of investment allowance	Tk.	10,000
Particulars of investment allowance 1 Payment of life Insurance Premium - self 12,000; max 10% of the policy value 1 Payment of life Insurance Premium - Spouse 10,000; max 10% of the P. value		10,000
exc. I—mence Premium - Spouse 1-11		126,800
2 Postance's & employer's contribution to Ref. (5)		6,000
4 Contribution to Superannuation rund (500 × 12)		72,000
Contribution to Denosit Pension Scheme (6000 × 12)		60.000
6. Contribution to Universal Pension Scheme (5000 × 12)	Tk.	284.800
Total Investment Allowance		
Tax Rebate	Low	er of

Lower of

A, B, and C,

i.e., Tk. 24,844

24.844

42,720

Tk. 1,000,000

Tk.

(Tk. 828.133 @ 3%)

Workings: Computation of gross tax liability

B. 15% on total investment allowance (Tk. 284,800 @ 15%)

A. 3% of total income*

	income on wh	ich regular rate		On sanchaypatra interest			
,	On first Tk. 400,000 (note 3)	On next Tk. 100,000	On next Tk. 328.133	On Tk. (note 4) 200,000	Total Tk.		
ate	@ 0%	@ 5%	@ 10%	@ 10%	_ 30		
ax		5,000	32,813	20,000	57,813		

Notes: (1) Actual medical expense is irrelevant. Medical bill reimbursement for eve operation is not taxable u/s 32(2) (2) TA Fully exempted when given for office tour. (3) Non-assessable limit is Tk 50.000 higher for each disable child from the regular limit. (4) TDS on interest on sanchaypatra is a final payment of tax liability under SRO 253 Law Income Tax - 9/2023, 23/08/23. (5) TDS - on salary Tk. 25,000 & On sanchaypatra interest Tk. 20,000. (6) Investment in shares of private limited companies and partnership firms are not allowable investments.



TERMINATION BENEFITS, SALARY INCREMENT

Mr. Hasan Ahmed was the HR Manager of Axiata Bangladesh Ltd. On the first month of the current income year, his basic salary (BS) was Tk. 52,000. He has resigned from Axiata Bangladesh Ltd on 31st December, 2023 of the income year and Joined Grameenphone (GP) Ltd on 1st February of 2024. Considering the following information, compute taxable income and tax liability of Mr. Ahmed for the year.

- ☐ Income from Axiata: He received dearness allowance @ 10% of BS, house rent allowance @ 50% of BS, medical allowance Tk. 5,000 per month, entertainment allowance of Tk. 1,000 per month, and a 1500 cc full time car. He contributed 10% of his BS to a recognized provident fund (RPF). He has received compensation for the termination of Tk. 10,00,000 and gratuity of Tk. 400,000. Moreover, his accumulated balance from the RPF was Tk. 600,000.
- were - rent-free accommodation (Annual value Tk. 360,000); medical allowance Tk. 6,000 per month; two festival bonuses each equal to one month's basic (one in April, one in June), servant allowance Tk. 2,000 per month, and a full-time car of 2,600 cc. He and his employer both contributed 10% of his BS to a RPF.
- ☐ Other data: His taxable income from other sources (Advisory services) was Tk. $400,\!000$ for the year and total TDS from various sources of his income was Tk. 120,000. His net wealth amount on June 30, 2024 stood at Tk. 11 crore.

Moreover, he claimed a refund of Tk. 10.000 for additional tax in the last for the adjustment with current year's tax liability. His investments during the year include the purchase of a laptop Tk. 110,000; purchase of sanchaypatra Tk. 600,000; payment of his life insurance premium Tk. 40,000 (policy value Tk. 500,000) and contribution to DPS Tk. 12,000 per month. As a part of his contribution to the society, during the year he has donated Tk. 50,000 to Bharateswari Homes (BH), a residential Higher Secondary School for girls, Tk. 100,000 to Ahsanullah Institute of Technical and Voactional Education and Training (AITVET), Tk. 50,000 to Bangladesh Agricultural Research Institute (BARI), and Tk. 30,000 to a local club in his neighborhood through bank transfer.

Assessee: Hasan Ahmed	Assessment Year: 2024 - 2025	Income Ye	ar: 2023 - 2024
Income from Employment (see	ction 32)	Amount	Amount
Basic pay $[(52,000 \times 6) + (60,0)]$	000 × 5)] (note 1)	Tk. 612,000	-
Dearness allowance (312,000 >	: 10%)	31,200	
House rent allowance (312,000	× 50%)	156,000	
Medical Allowance [(5,000 × 6	$(6,000 \times 5)$	60,000	2 19
Entertainment allowance (1,00	0 × 6)	6,000	
Conveyance facilities [(10,000	\times 6) + (25,000 \times 5)]	185,000	
Employer's contribution to RP	F (10% of 612,000)	61,200	
Compensation for Termination		1,000,000	
Gratuity		400,000	
Accumulated Balance from RP	F	600,000	
Rent Free Accommodation (Tk		150,000	
Bonus (60,000 + 60,000)	The second second	120,000	
Servant Allowance (2,000 × 5)	11 to 12	10,000	
Total receipt from salary			Tk. 3,391,400
ess: Exempted -			*

C. Tk. 1,000,000 excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable

				DAME LIFE
	 _	 Warr.	Theory and	

Bangladesh Income Park	- 450,000	
of total salary income and Tk. 450,000	Tk. 450,000	
Lower of 1 3th of total salary income and Tk. 450,000 Lower of 1 3th of total salary income and Tk. 450,000 i.e. (Tk. 3.391,400 ± 3) = Tk. 1,130,467 and Tk. 450,000	400,000	
ie (13, 3,371,300	600,000	1,450,000
Granuity (note 2) Accumulated balance from RPF (note 3)		1,941,400
3. Accumulated (managed)		400,000
Income from Employment (Advisory fee)		2,341,400
Income from Employment (Advisory fee) Income from Other Sources (Advisory fee) Total Income before deduction under Part 2, 6th Sch. (note 4)		200,000
Total Income before deduction made under Part 2, 6th Sch. (note 4)		Tk. 2,141,400
Total Income before deduction under Part 2, 6th Sch. (note 4) Less: Deduction for the contribution made under Part 2, 6th Sch. (note 4)		7 11,400
Tetal Income		
Tax computation and Payment		Tk. 292,850
Gross tax before tax rebate (workings)		64,242
Less: Tax rebute (Schedule 5)		228,608
Net tax after tax rebate (a)		5,000
Advanced that (b)		228,608
Net amount parable [higher of (a) and (b)]		,
and the state of t	Tk. 45,722	
Net Wealth Surcharge (20% of Tk. 228,008)	-	45,722
Surcharge (if any)		
Add: Interest, fine, or any other payment under ITA, 2023		274,330
Total Amount Payable		
Less: Payments -	Tk. 120,000	
a. Tax deducted or collected at source	-	
b. Advance tax paid	10,000	
c Adjustment of tax refund (AY 23-24)	144,330	
d. Amount paid with return [Balancing figure]	144,330	274.330
Total amount paid and adjusted (a + b + c + d)		
Deficit or excess	* * * * * * * * * * * * * * * * * * *	Tk: 450,000
Tax exempted income (see schedule 1)		Tk. 1,450,000

Schedule 5 Particulars of investment allowance	Amount 1/		
Payment of life Insurance Premium - self 40,000; max 10% of the policy value	Tk. 40,000		
2. Employee's & employer's contribution to RPF (61,200 × 2)	122,400		
3. Purchase of Sanchaypetra (Out of actual inv. Tk. 600,000, max. Tk. 500,000)	500,000		
4. Contribution to Deposit Pension Scheme Tk. 144,000 (max Tk. 120,000)	120,000		
Total Investment Allowance	Tk. 782,400		

Tax Rehate

Lay Mennie				
A. 3% of total income*	(Tk. 2,141,400 @ 3%)	Tk.	64,242	Lower of
B. 15% on total investment allowand	e (Tk. 782,400 @ 15%)	Tk.	117.360	A, B, and C,
C. Tk. 1,000,000				i.e., Tk. 64,242

^{*} excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable

workings: Computation of gross tax liability

Work	On first Tk. 350,000	On next Tk. 100,000	On next Tk. 400,000	On next Tk. 500,000	On next Tk. 500,000	On next Tk. 291,400	Total (Tk.) 2,141,400
Rate Tax	@ 0%	@ 5% 5,000	@ 10% 40,000	@ 15% 75,000	@20% 100,000	@ 25% 72,850	292,850

Notes: (1) BS: Axiata Tk. 312,000, Grameenphone Tk. 300,000 (2) Upto Tk. 2.5 crore is exempted (3) Full amount is exempted (4) Donation to BH, AITVET, and BARI is deducted as per Part 2, 6th Schedule of the ITA, 2023.

Market.

SURCHARGE, LEAVE ENCASHMENT, EMPLOYEE SHARE SCHEME

Mr. Nisar Ahmed, a Bangladeshi citizen, joined S. Ltd. in Dhaka on November 1 of the current income year with a basic salary of Tk. 110,000 and 40% house rent allowance. He stayed in Doha for a job from 1.03.20 and came back to Bangladesh on 17.10.23. In addition to basic salary (BS) and house rent, Mr. Ahmed also enjoys the following benefits during the period: a 1700 cc full time car with Tk. 5,000 per month (pm) as allowance for conveyance; 10% of BS as entertainment allowance (he spent the full amount); servant allowance Tk. 2,000 pm; Tk. 70,000 from worker's participation fund; 2 festival bonuses each equal to one month's basic; medical allowance Tk. 2,000 pm (actual expense Tk. 20,000); Leave encashment 12 days BS.

Mr. Ahmed contributes 10% of his BS to a recognized provident fund (RPF) like his employer. As per the terms of employment, Mr. Ahmed has been given an offer to receive 1000 shares (face value Tk. 10 per share) under the Employee Share Scheme by the organization at a 10% discounted price with an option to transfer or sale the right to a third party. Mr. Ahmed transferred the right to another person at a price of Tk. 15 per share on May 10, 2024. He also received Tk. 150,000 for different official tours and Tk 200,000 for the operation of his kidney during the year.

Mr. Ahmed has made investments during the period as: contribution to DPS Tk. 12,000 pm; BD Universal Pension Scheme Tk 5,000 per month; purchase of debenture from DSE Tk. 30,000; purchase of shares; primary Tk. 50,000, secondary Tk. 100,000, and Mohamedan Sporting Clubs share Tk. 30,000; purchased a personal desktop computer Tk. 60,000; donated to Government Zakat Fund Tk. 600,000; purchase of government treasury bond Tk. 50,000. Compute tax liability for the year assuming total tax deducted at sources amount Tk. 120,000 and his net asset worth Tk. 3.5 crore at the year end. He owns two motor cars of 1500 cc and 1800 cc respectively and paid a total Tk. 75,000 as advance tax.

Assessee: Nisar Ahmed	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024		
		Amount	Amount	
Income from Employment (s	ection 52)	Tk. 1,320,000		
Basic pay (110,000 × 12)		528,000	,*	
House rent allowance (1,320,		⇒120,000	574.1	
Conveyance facilities (10,000) × 12)			

- Proctice				
Bangladesh Income Tax - Theory and Practice		60,000		- Charges
		132,000		
Conveyance Allowance (5,000 × 12) Entertainment allowance (1,320,000 × 10%)		24,000		
Entertainment allowance (132)		70,000		40
Servant Allowance (2,000 × 12) Receipt from Worker's Participation Fund		220,000		
Festival bonus (110,000 × 2)		24,000		
Festival bonus (110,000 × 12) Medical Allowance (2,000 × 12)		44,000		2.00
		132,000		
		6,000		
Income from Employee Share Scheme (note 2)			Tk.	2,680,000
Total receipt from salary		, et	- Section	2,000,000
Total receipt from salary Less: Exempted – Lower of 1/3rd of total salary income and Tk. 450,000 Less: Exempted – Lower of 1/3rd of total salary income and Tk. 450,000			*1.	450,000
Less: Exempted – Lower of 1/3 rd of total salary income and i.e. (Tk. 26,80,000/3) = Tk. 8,93,333 and Tk. 450,000			Th	450,000 2,230,000
Income from Employment			I K.	2,230,000
Income Itolii Employment				1.35
Tax computation and Payment			Tk.	315,000
Gross tax before tax rebate (workings)			ı K.	66,900
Less: Tax rebate (Schedule 5)			-	
Net tax after tax rebate (a)				248,100
Minimum tax (b)				5,000
Net amount payable [higher of (a) and (b)]				248,100
Add: Surcharges -		24.010		
Net Wealth Surcharge (10% of Tk. 248,100) (note 5)	Tk.	24,810		
Environmental Surcharge (for higher capacity i.e. 1800 cc)		50,000		74,810
Add: Interest, fine, or any other payment under ITA, 2023				
Total Amount Payable				322,910
Less: Payments –				
a. Tax deducted or collected at source	Tk.	120,000		
b. Advance tax paid		75,000		
c. Adjustment of tax refund	1 .*	n -		
d. Amount paid with return [Balancing figure]		127,910		
Total amount paid and adjusted $(a + b + c + d)$		1 1000		322,910
Deficit or excess	1.6		Tk.	-
Tax exempted income			Tk.	4,50,000
and the second s				
Schedule 5		199		
Particulars of investment allowance		7 1 27	A	mount
1. DPS $(12,000 \times 12 = 144,000 \text{ where maximum limit is Tk. } 120,000)$		2.5	Tk.	120,000
2. Universal Pension Scheme (5,000 × 12)				60,000
3. Employee's & employer's contribution to RPF (132,000 × 2)				264,000
4. Purchase of debenture and shares from stock evolution (next 4).				
5. Bonation to doverning Zakat Fund		ar story	, is	180,000
6. Purchase of treasury bond		*		600,000
Total Investment Allowance	14.	2342	Oi.	50,000
186		d recording	Ik. I	,274,000
100				

Tax Rebate			EY PC MITS
20% of total income	(Tk. 2,230,000 @ 3%)	Tk. 66,900	Lower of
A. 15% on total investment allowance	(Tk. 1,274,000 @ 15%)	Tk. 191,100	A, B, and C,
C Tk. 1,000,000		Tk. 1,000,000	i.e., Tk. 66,900
C			

^{*} excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable

workings: Computation of gross tax liability

Warn	On first Tk. 350,000	On next Tk. 100,000	On next Tk. 400,000	On next Tk. 500,000	On next Tk. 500,000	On next Tk. 3,80,000	Total (Tk.) 22,30,000
Rate	@ 0%	@ 5% 5,000	@ 10% 40,000	@ 15% 75,000	@20% 100,000	@ 25% 95,000	315,000

Notes: (1) Days of staying in BD in the I/Y 2023-24: (Oct 17, 23 to June 30, 24) - 15 + 30 + 31 + 31 + 29 + 31 + 30 + 31 + 30: 258 days. So, he is a resident. (2) Price received to transfer the right to obtain shares from ESS to third party (1000 × 15) less Acquisition price (1.000 × 10) × 90% i.e. Tk. 6.000 (3) allowances received for official tour and eye operation is non-assessable (4) Investment in shares of club is not investment allowance. (5) net wealth surcharge and environmental protection surcharge is applicable for owning multiple cars.



EMPLOYMENT INCOME OF NON-RESIDENT TAXPAYER

Mr. Danilo G. Morgia, a citizen of Philippines, joined in a consultancy firm in Bangladesh on January 01, 2024 with a basic salary Tk. 200,000 per month. He has also provided with a rent-free accommodation and a 3000 cc car for both office and private use. The company pays Tk. 75,000 per month as rent for the accommodation provided to him. He has invested Tk. 5 lac and 4 lac in listed company and ICB Mutual Fund's shares respectively. Compute his taxable income from employment and tax payable amount, considering the given particulars for the current income year.

Assessee: Danilo G. Morgia	Income Year: 2023 - 2024			
Income from Employment (section	32)	Amount	Amount	
Basic pay (200,000 × 6)		Tk. 12,00,000		
Rent-free accommodation [note 2]		450,000		
Conveyance facility [note 3]		150,000		
Total receipt from salary		,	Tk, 18,00,000	
Less: Exempted - Lower of 1/3rd of	f total salary income and Tk. 18,00,000			
i.e. (Tk. 18,00,00	00 - 3) = Tk. 600,000 and Tk. 450,000		Tk. 450,000	
Income from Salary			Tk, 13,50,000	

Tax Payable Amount = 30% of Tk. 13,50,000 = Tk. 405,000

Notes: (1) Staying in Bangladesh from January 01, 24 to June 30, 24 = 182 days, hence Mr. Danilo is a non-resident foreigner. His tax rate is 30% and he is not eligible to get any tax rebate. (2) Actual rental value Tk. (75,000 \times 6 = 450,000). Thus, taxable income is annual value 450,000. (2) Monthly @ Tk 25,000 (3) Gratuity upto Tk. 2.5 crore is exempted from tax. (4) Employer's contribution to unrecognized provident fund is excluded from total income.

KEY POINTS

	Salary means periodical payment made to an employee by an
0	Salary means periodical payment made to an employee by an employer for the services rendered and includes wages, annuity, pension, or any perquisites for the Perquisite is a causal emolument or benefit attached to an office or position addition to salary or wages which may be given in a variety of forms. Trave allowance is exempted from tax if it is paid for official.
	received by the employee.
	received by the employee. Conveyance allowance is taxable on the full amount and any conveyance facility and exceeding 2500 cc. Full of pension and Tk. 25 cross gratuity is every at 1.5.
	2500 %
	Provide and TR. 2.5 croic gratuity is exempted for a resident
	Employer's contribution to recognized provident fund will be counted as income. Receipt of arrear salary will be added to the total income if has a considered earlier in the counted.
	A not been her in the computation of total income.
	Any person who is responsible for paying salary shall deduct income tax on the amount payable at the average rate which shall be adjusted against the tax
	If the employee contributes to deferred annuity, government provident fund, approved superannuation fund, because
	recognized provident fund, approved superannuation fund, benevolent fund or group insurance scheme can get investment tax rebate on such contribute.
	group insurance scheme can get investment tax rebate on such contribution

MULTIPLE CHOICE QUESTIONS

'. Perquisites includes 6-11	
(a) leave encashment	I Standard
a decommodation	A STRANGE
(c) concession rate accommodation	Present
(d) basic salary	1.7
2. Which of the following provident fund is 6.	nell,
(a) Contributory provident fund	government employees with pension benefit?
(c) Recognized provident for a	(5) General provident fund
3.4 Which of the following contribution by employed (a) Contributory provident fund	(b) General provident fund (d) Unrecognized provident fund over to PF is not alicitate for the provident fund
(a) Contributory provident fund	is not engine for tax rebate?
(c) Recognized provident c	(b) General provident fund
4. For house rent allowance how much is exempt (a) 50% of basic salary	(d) Unrecognized provident fund
(a) 50% of basic salary	
(c) 25% of basic salary	(b) Tk. 25,000 per month
5. How much of medical allers	(d) None
5. How much of medical allowance is exempted (a) Full	I from tax?
(c) Actual expense	(b) Tk. 60,000
- Perioc	to Specific

(d) None

For a conveyance facility		
month.	Chang	
month. (a) 5% of basic salary (c) Tk. 25,000 Which of the following states	car,will be	ome from Employment
(c) Tk. 25,000	be added to salary inco	r-cyment
Which of the following states	(b) Tk, 10,000	me for tax purpose per
States	(a) 1K, 10 000	

- (b) Tk. 10.000
- 7. Which of the following statement is false?

 - which of the local particular is talse?

 (a) Employee's contribution to RPF will be added to calculate tax payable income (a) Employee's contribution to RPF will be added to calculate tax payable income (c) Employer's contribution to RPF will get investment tax rebate
 - (d) Employee's contribution to RPF will get investment tax rebate
- How much of interest on RPF will add to calculate tax payable income?

 - (c) Interest exceeding 1/3 of basic salary
- (b) Interest exceeding @ 14.5%
- 9. What is the rate of interest on government provident fund? 10. Followings are the example of non-assessable income except –
 - - (d) 16.5%

- (c) festival bonus
- - (b) travel allowance given for official purpose
 - (d) accumulated balance of RPF

TRUE (T) OR FALSE (F) IDENTIFICATION

- 1. Employee contributes nothing in approved gratuity fund.
- The amount received at retirement from unrecognized provident fund is taxable.
- Rate of interest applicable for contributory provident fund is 15%.
- 5. When employer has Tk. 11 crore net wealth, a surcharge @ 10% is applicable.

	ПΤ	□F
	ΠT	□F
1	□ T	□F
	□ T	□F
	ΠT	□F

DISCUSSION QUESTIONS (DQ)

- DQ5.1 "Perquisite is a causal emolument or benefit attached to an office or position in addition to salary or wages" - explain the statement according to ITA, 2023.
- DQ5.2 What is a provident fund? Explain distinguishing features of different types of provident fund.
- DQ5.3 Differentiate between government and non-government provident fund.
- Explain the effect of different types of provident fund in assessment of income tax.
- Differentiate approved superannuation fund from approved gratuity fund.
- "Any person who is responsible for paying salary shall deduct income tax on the amount payable at the average rate" - explain the statement according to the ITA, 2023.
- What is non-assessable income? Explain these incomes under the head income from salary. DQ5.7
- Write short note on: ☐ Perquisites ☐ Recognized provident fund (RPF) ☐ Tax exempted income under the head income from salary \(\Pi\) TDS under the head income from salary

PROBLEM CASES (PC)

with a

PC5.1: Mr. Zahid receives basic salary (BS) of Tk. 18,000 per month in the current income year. He also received conveyance of Tk. 2,000 per month; house rent

weene that - throng and tructice	1
allowance @ 55% of BS; medical allowance his appropriate both contributed 10% of his	ce @ 15% of BS, and a 1500 cc car. He and 8,000. Answer the following questions from house rent allowing questions.
From DDE he manifeed interest @ 160/ Th	8 000 A recognized provident for He and
his employer both contributed 10% of his From RPF he received interest @ 16% Tk. (a) How much is Mr. Zahid's taxable inco	8,000. Answer the following quality (RPF)
— — — — — — — — — — — — — — — — — — —	- allowance.
□ Tk. 216,000 □ Tk. 118,800 (b) How much is Mr. Zahid's tax payable □ Tk. 6,000 □ Tk. 24,000	□ Tk. 10,800 □ Tk. 54.5
(b) How much is Mr. Zahid's tax payable	income from conveyance allow
☐ Tk, 6,000 ☐ Tk, 24,000	□ Tk. 16,200 □ Nil
(c) How much is Mr. Zahid's tax payable	income from medical allows
☐ Tk. 21,600 ☐ Tk. 10,800	☐ Tk. 32,400 ☐ Nil
(d) How much is Mr. Zahid's tax payable	income as contribution to De
- TR. 10,000	□ 18, 18,000 □ ····
(e) How much will be considered as conve	□ Tk. 18,000 □ Tk. 72,000
☐ Tk. 120,000 ☐ Tk. 60,000	□ TI 200 000
	☐ 18. 300,000 ☐ None
PC5.2: Mr. Kabir's basic salary is Tk. 40 of Tk. 2,000 per month, a 2000 cc full time of	000 per month. LL
of Tk. 2,000 per month, a 2000 cc full time or rental value Tk. 240,000, but the company cha	nonth. He also received conver-
(a) How much is Mr. Kabir's taxable inco	rges him Tk. 5,000 per month for the k
The 180 000 The account	
(b) Hammaland Li 1k. 240,000	☐ Tk. 60,000 ☐ Tk. 24,000
(b) How much is Mr. Kabir's total taxable	☐ Tk. 60,000 ☐ Tk. 24,000 income:
☐ Tk. 804,000 ☐ Tk. 624,000	☐ Tk. 660,000 ☐ Tk. 780,000
Done	/ 60,000
PC5.3: Mr. Sumon receives salary follo	wing salary scale of 19 and
22,500 and he received Tk. 19 500 salary	in December 5.
22,500 and he received Tk. 19,500 salary of increment is 18th January of every year. 1	Mr. Supports to current income year. Date
☐ Tk. 260,177 ☐ Tk. 242,177	vii. Suffor s basic salary for the year is:
	☐ Tk. 234,000 ☐ Tk. 224,177
DOC 1	The section of the se

1. 120 SECOND ST. 1. DISCOUNT PC5.4: Mr. Pritom is a service holder. His income sources for the year ended 30th June were: basic Salary (BS) Tk. 27,500 per month; medical allowance Tk. 2,000 per month; conveyance allowance 5% of BS; performance bonus equal to 4 months BS; and leave encashment 10 days leave. He has been provided with a 1500 cc full time car and a rent-free furnished house with annual rental value of Tk. 150,000. He received two festival bonuses each equal to 50% of a month's BS. He contributed 10% of BS to a recognized provident fund (RPF) and his employer also contributed the same amount. Calculate Mr. Pritom's income under the head income from employment.

PC5.5: Mr. Limon is a service holder. Compute his income from employment considering his monthly basic salary (BS) Tk. 25,000; house rent allowance 70% of BS; medical allowance Tk. 1,250 per month; conveyance allowance 7.5% of BS; performance bonus equal to 5 months BS; and dearness allowance 10% of BS; He has provided with a 3000 cc full time car. He received two festival bonuses each equal to a month's BS. He and his employer contributed 10% of BS to a recognized provident fund (RPF). He received Tk. 15,000 interest @ 15% on the accumulated RPF.



PC5.6: Calculate taxable income and net tax liability for the current income year of Mr. Mahfuz, a private service holder. He received basic salary of Tk. 22,500 in the first month of the income year following the salary structure of 18,000 – 1,500 X 4 – 24,000. The date of angular structure of 18,000 – 1,500 X 4 – 20,000 medical 24,000. The date of annual increment is on 16th November. He also received medical allowance Tk. 1,500 per month; conveyance allowance Tk. 2,500 per month; conveyance allowance Tk. 2,500 per month; entertainment allowance Tk. 500 per month; performance bonus Tk. 80,000; mobile bill allowance Tk. 2,000 per month; performance bonus 1k. 80,000; mouth bill allowance Tk. 2,000 per month; and overtime allowance Tk. 25,000. He has been provided free furnished accommodation for which the company paid rent of Tk. 5,500 per month. He received two festival bonuses (one in October and another in December) each equal to one month's basic salary. He contributed 10% of basic

During the year he incurred and made expenses and investments for life insurance premium: own (policy value Tk. 500,000) Tk. 60,000 and spouse (policy value Tk. 300,000) Tk. 25,000; family expenses Tk. 85,000; contribution to approved superannuation fund Tk. 48,000; purchase of shares from initial public offerings Tk. 40,000, of unlisted company Tk. 30,000, of listed company Tk. 22,000. He donated to prime minister's relief fund Tk. 15,000; religious institution Tk. 10,000; zakat fund Tk. 30,000; Dhanmondi Sports Club Tk. 8,000; deposited to pension scheme per month Tk. 6,000; purchase of books Tk. 12,000; purchase of land Tk. 80,000 and

PC5.7: Calculate net tax liability for Mr. Mozumder who is an executive of a private telecommunication firm. He received basic salary of Tk. 35,000 per month with house rent allowance 50% of basic salary; medical allowance Tk. 3,500 per month; conveyance allowance Tk. 2,500 per month; traveling allowance Tk. 60,000; performance bonus Tk. 80,000 and overtime allowance Tk. 25,000. He has been provided with a 1700 cc full-time car that he can use both for office and personal purposes. In this income year he saved Tk. 13,000 from medical allowance. He received two festival bonuses (one in the month of December another in February) each equal to one and half month's basic salary. He contributed 10% of basic salary to a recognized provident fund (RPF) and his employer also contributed the same amount. He received interest @ 16% Tk. 67,200 on the accumulated balance of the

her the

18.5

ushie to a re-

apprinting a

White I have

and alloy it. o

Committee of

a die comme .

He also contributed 5% of basic salary to a group insurance premium. Because of a salary restructure Mr. Mozumder received Tk. 40,000 as basic salary from the month of February. During the year he incurred and made the expenses and investments for life insurance premium (Policy value Tk. 300,000) Tk. 15,000; purchase of land Tk. 295,000; purchase of shares from primary market Tk. 5,000; purchase of shares of an unlisted company Tk. 30,000; purchase of savings certificate Tk. 15,000; donated to: religious institution Tk. 10,000; zakat fund Tk. 6,000; Sobujbag Sporting Club Tk. 8,000; and purchase of motor vehicles Tk. 250,000

For Some of

192

PC5.11: Ms. Farhana is the head of Business Administration department of a reputed private university in Bangladesh. She has received the given benefits from the university based on which you are required to calculate her tax liability for the year.

She received basic pay (BS) Tk. 100,000 per month sent directly to her bank account. She has been provided with accommodation fully furnished by the university; the annual rental value of the house is Tk. 250,000; 10% of her BS is deducted for this purpose. She also received a 2000 cc full time car for her own and family uses. University pays Tk. 20,000 per month for her two school going children which is paid to the school authority directly. She received two festival bonuses and one performance bonus each equivalent to monthly BS which she spent partly for family and partly for the needy relative in her village. The university pays the driver's salary Tk. 7,000 per month to driver's bank account. She has also received Tk. 200,000 during the year being the reimbursement of various utility bills of her house. On her behalf, the university paid office phone and mobile bill Tk. 20,000 during the year. She was paid Tk. 200,000 for her overseas travels for the official conference. Bill paid for the membership of Dhaka club by the university Tk. 100,000; medical allowance Tk. 10,000 per month; entertainment allowance Tk. 10,000 per month (actual expense Tk. 150,000). She and her employer contribute 10% of her BS to an unrecognized provident fund and from where she received interest @ 18% Tk. 1,800 for the period. She has contributed 2% of her BS to a group insurance scheme.

For the year, she has claimed investment allowance for purchase of debentures from the secondary market Tk. 25,000; insurance premium Tk. 20,000 (policy value Tk. 250,000); household expenses Tk. 200,000; payment to her teaching assistant Tk. 25,000; purchase of government treasury bond Tk. 100,000; donated Tk. 50,000 to the Muktijuddho Jadughar, Tk. 25,000 to Government Zakat Fund; Tk. 10,000 to her children's school; and paid loan installment to Prime bank Tk. 40,000 (including Tk.

PC5.12: On the last month of the current income year, Ms. Tania Amir's basic salary (BS) falls on Tk. 56,000 in the scale of 40,000-4,000×8-72,000. Her date of yearly increment is on 21st March. She received dearness allowance @ 20% of BS and medical allowance Tk. 3000 per month. She received two festival bonuses and one performance bonus each equivalent to one month's BS in the month of September; December, and May respectively.

She contributes 10% of her BS to a recognized provident fund (RPF) from which she also received interest @ 15% Tk. 1,500. Her employer also contributes the same amount to the RPF. She has been provided with 60% of her BS as house rent allowance and a 2000 cc full-time car. Company gave her international air ticket for a tour as a reward for her performance in addition to her service contract for which the company spent Tk. 50,000. During the year, she has also received an entertainment allowance of Tk. 10.000 of which Tk. 7,500 has actually been spent,

PC5.8: Ms. Rabeya is a service holder. Given particulars are her incomes from PCS.8: Ms. Rabeya is a service incompute her taxable income from salary for the year ended on 30th June. Compute her taxable income from salary and salary for the year ended on 30. June Company (BS) Tk. 40,000 per month; dearness investment allowance. She received basic salary (BS) Tk. 40,000 per month; dearness investment allowance. She received using allowance to BS; two festival bonuses and one performance bonus each equal to a contesting quarter (the allowance 10% of BS; two restival constants with a rent-free quarter (the annual rental one month's BS. She has been provided with a rent-free quarter (the annual rental one month's BS. She has been provided with a rent-free quarter (the annual rental) one month's BS. She has been provided from the property of which is Tk. 60,000); a 1500 cc car for official purposes; Tk. 200,000 fc. Open Heart Surgery, and she received Tk. 6,000 as traveling allowance and Tk. Open Heart Surgery, and sire received.

60,000 from Worker's Participation Fund. She contributed to a statutory provident 60.000 from Worker's raintenance.

fund @ 10% of BS from where she received interest Tk. 2,500 @ 13% on the accumulated balance; She is given servant allowance of Tk. 200 per month; She accumulated balance, Site is given a contributes 1% of her BS to a group insurance scheme. She made @Tk. 5000 monthly. deposits on the BD Universal Pension Scheme.

PC5.9: Mr. Nahid is a service holder. Following are the particulars of his income from salary for the year ended on 30th June. Compute his taxable income from salary for the current income year. Mr. Nahid received basic salary (BS) Tk. 35,000 per month; dearness allowance 10% of BS; Two festival bonuses, each equal to one month's BS. He has been provided with a house at a concessional rate for which Tk. 1,000 per month is deducted from his salary. The annual value of the house is Tk 70,000. He has been provided with a car for both office and private use. In addition, he is also provided with Tk. 2,000 per month as conveyance allowance. He has also been provided with telephone facilities at his residence. The bill for this telephone reimbursed amounted to Tk. 12,000. During the year he received advance salary of Tk. 16,000. He contributed to a unrecognized provident fund @ 10% of BS. The employer also contributes the same amount. He received compensation from previous employer Tk. 30,000; Leave encashment Tk. 20,000; Gratuity Tk. 50,000; and Overtime Tk. 5,000.

PC5.10: On the last month of the income year, Mr. Areean's basic salary (BS) falls on Tk. 10,200 in the scale of 9,600-200×12-12,000. Date of his annual salary increment is on 26th April. Considering given information, compute tax liability of Mr. Areean for the year. He received dearness allowance @ 10% of BS and medical allowance Tk. 3000 per month. He received two bonuses equivalent to one month's BS (one before increment and one after increment). He and his employer contribute 10% of his BS to a recognized provident fund (RPF). He has been provided with a rent-free quarter (Annual value Tk. 160,000) and a 1700 cc car for both official and personal purposes. He is provided with cash conveyance allowance of Tk. 2,000 per month. During the year he has also received an entertainment allowance of Tk. 5,000 of which Tk. 4,500 has actually been spent. His investments during the year were in purchase of shares of an unlisted company Tk. 2,000; purchase of land Tk. 10,000; payment of his life insurance premium Tk. 4,000 (Policy value Tk. 45,000); purchase of books and magazine Tk. 3,000; and contribution to a Deposit Pension Scheme Tk. 500 on a monthly basis.

req the	r taxable income from other sources was Tk. 400,000 during the year. You a uired to compute tax liability of Ms. Tania Amir, assuming that her net wealth yearend amounted to Tk. 5 crore and her investments were in yearend amounted to Tk. 5 crore and her investments were in PLC's shares purchased from the secondary market Tk. 10,000;
	PLC's shares purchased from the departmentship firm Tk. 8,000; purchase of shares of a registered partnership firm Tk. 12,000 (policy value Tk. 12,000)
	payment of life insurance premium Tk. 12,000 (policy value Tk. 100,000);
	purchase of books and magazine Tk. 3,000;
	to a benevolent fund 1 K. 500 on a monthly basis;
	donation to a mosque Tk. 15,000; and to Anjuman Mufidul Islam Tk. 6,000.

PC5.13: Mr. Simon is a government service holder. His sources of income for the year ended 30th June were: monthly basic salary (BS) Tk. 55,000; medical allowance year ended 30th June were. Information year ended 30th June were. Information and the has been provided allowance. Tk. 1,500 per month; festival allowance and he has been provided allowance. Tk. 1,500 per month, testinal armonic for the state of th time car. He contributed Tk. 14,000 per month to the statutory provident fund (SPP) time car. He contributed Tk. 65,000 on the accumulated balance of SPF. His monthly contributions to benevolent fund and group insurance scheme were Tk. 500 and Tk 1,000 respectively. He also contributed Tk. 6,000 per month to a DPS. Calculate Mr. Simon's income under the head income from salary.

PC5.14: On April 30 of the current income year, Mr. Hasan retired as an accountant from a private firm. Before retirement, he received the following incomes for the year. On, April of the current income year, his basic salary (BS) falls on The 20,000 in the scale of $16,000 - 2,000 \times 3 - 22,000$. His date of yearly increment is on 18th March. Besides, he received dearness allowance @ 10% of BS, Tk. 100,000 for Eve operation related medical expense reimbursement, 60% of his BS as house rent allowance, conveyance allowance Tk. 2,000 per month, two festival bonuses each equivalent to one month's BS - received respectively in October and April of the income year. He contributed 10% of his BS to an unrecognized provident fund. After his retirement in May, he has received the accumulated balance of his unrecognized provident fund (URPF) total Tk. 256,000 (employer's contribution Tk. 100,000 employee's contribution Tk. 100,000 and accumulated interest Tk. 56,000). He has also received Tk. 300,000 as gratuity and Tk. 40,000 from Worker's Participation Fund. The company has given him complimentary travel allowance of Tk. 40,000 as a reward for his good performance. His actual expense is Tk. 13,000 in this regard.

He received 2000 shares (face value Tk. 10 per share, Market value Tk. 20 per share) under the Employee Share Scheme from the company at a 80% discounted price on May 30. In additional, he has income from house property Tk. 300,000; income from agriculture Tk. 50,000 and income from other sources Tk. 200,000.

His investments during the income year were: contribution to DPS Tk. 6,000 per month; purchase of laptop Tk. 60,000; purchase of Bangladesh savings certificate Tk. 100,000; purchase of gift cheque Tk. 3,000; purchase of microwave woven Tk. to poor relatives as zakat Tk. 10,000, to Jatio Muktijuddho Jadughor Tk. 5,000, to Rahbar Development Network Tk. 10,000 and

TDS deducted from his salary amounted to Tk. 10,000 and he has also paid advance income tax of Tk. 25,000 at the time of renewing the registration of his personal car.

Compute taxable income and tax liability of Mr. Hasan for the current income year

ANSWERS

MULTIPLE CHOICE QUESTIONS				
1 2 3 4 5 6 7 8 9 10 1		TRU	E/F/	ALS
SELF - REVIEW 5.1	T	, F.	4 F.	5 F
SELF - REVIEW 5.1				-

From 01/07/2023 to 31/03/2024 for nine months @ Tk. 6,800

From 01/04/2024 to 30/06/2024 for three months @ $[(6,800+200) \times 3]$ Tk. 61,200

21,000 Tk. 82,200

SELF - REVIEW 5.2

- (a) Rent free accommodation (Annual Rental Value): Tk. 120,000
- (b) Conveyance facilities (@ Tk. 10,000 per month: Tk. 120,000

(c)		k. 10,000 pe	r month: Tk. 12	20,000	The same of the sa
	Basic salary		-	- 1 T	the transfer
	Rent free accommodation	h- 1	Tk. 600,000	1 48 . 1 .	र गार शंक्य
	-Conveyance facilities		120,000	Total	Tk. 858,333
	Leave encashment [(50,000	/30) X 1-11-	120,000		1K,000,000
4		20) X [1]	18,333		

SELF - REVIEW 5.3

	General Pr	ovident F	und		
•	Government	manages	this	fund	1
	within Bangl				

within Bangla	desi	ı in t	aka	ш
Government			employer	E
contributes no	othin	g.	- ' '	th

•	Interest is 13% on this fund
•	Interest on this fund will not be
	added with salary

Recognized Provident Fund

- Fund is managed by two or more trustee inder any trust or government trust.
- Employer will contribute but not more than the employee contribution.
- It depends on where the fund is invested Interest on this fund will be added with
- salary exceeding 1/3 of basic salary.

Income from Rent

"Few of us ever test our powers of deduction, except when filling out an income tax form." - Laurence J. Peter

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

CLO 6.1 understand the concept of income from rent CLO 6.2 adentify scope of income from rent

CLO 6.3 apply taxability on income from rent

CLO 6.4 determine annual value of house property

CLO 6.5 apply TDS on rental income

CLO 6.6 list admissible expenses against income from rent

CLO 6.7 recall rebate on allowable investments

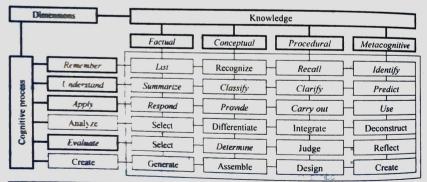
CLO 6.8 compute tax liability on income from rent

KEY TERMS

Tenant, Actual value, Reasonable value, Annual value, Advance rent, Tax deducted at source, Rental status Vacancy allowance, Adm--issible expenses, Uncollectible rent, Dependent

Bloom's Taxonomy

This chapter covers (italic) the entire knowledge dimension and different components of four levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



INTRODUCTION 6.1 CLO

6.1

6.2

CLO76 A

1.41

6.2 6.3

CLO

6.2

Chapter - 6 Income from Rent

"Income from Rent" is the second head of income among the seven heads mentioned in section 30 of the Income Tax Act (ITA), 2023. According to section 36, annual value of property, of which the assessee is the owner, is chargeable to tax under this head of income after claiming deduction under section 38. The said property will not include the portions of property that the assessee may occupy for purposes of any business or profession carried on by him, the profits of which are chargeable to tax. Section 35 of

- House Property: includes any house property, buildings or apartment along with
 - Furniture, fixture, fittings that are integral part of the house; and

- but will not include the following buildings or structures, namely:-Any building used wholly as a warehouse, or
- Any factory premise for which rent is paid as an integral part of the rent of
- Rent: means providing rights, without sacrificing the ownership, to use any property, but does not include letting out the property, whether owned or not, to anyone by any scheduled bank, investment bank, any development finance company or mudaraba or leasing company.
- Property: means house property, land, furniture, fixture, factory building, business premises, machinery, personal vehicle, and capital nature of any physical

SCOPE OF INCOME FROM RENT

According to Section 36 of the ITA, 2023, the following incomes are to be considered under the head "Income from Rent":

- ☐ For a person, income from rent means the excess of total rental value of any property over the allowable expenses.
- ☐ Such portions of property as the assessee-owner occupy for his business, the profits of which are chargeable to business income, is not assessable under this head.
- Irrespective of the nature of rent of any property other than hostel, hotel, motel or resort, regardless of the nature of trade, commerce, or business, the income earned from the said property should be recorded under this head "income from rent".

6.3 PRECONDITIONS OF INCOME FROM RENT

Sections 35-36 suggest following conditions are to be fulfilled to consider any income under the head "Income from Rent":

Assessee is the legal owner of the whole house property or the owner of a part of the property or beneficiary of the property.

Income should be generated from let out part and not from any part used by the owner for personal purpose or for the purpose of his business. The house may be let out for residential or commercial or for any other purposes. Income is the result of gross rental received less amount of admissible expenses.	
A DIAGNOSTIC VIEW OF THE TERM 'OWNERSHIP'	
The charge under this head is on the bona fide annual value of the property of which the assessee is the owner or deemed owner. If the assessee is not owner of the house the assessee is the owner or deemed owner. If the assessee is not owner of the house the assessee is the owner or deemed owner. If the assessee is not owner of the house the assessee is not owner of the house property, he is not assessable under this head. The term "owner" is one of wide application in various connections and must be interpreted in its broadest possible application in various connections and must be interpreted in its broadest possible meaning. The ITA, 2023 does not pin down the assessing authorities to tax only the registered owner.	
The charge of tax under the head "Income from Rent" is on the owner, be it a legal owner or deemed owner or beneficial owner [P. J. Swaminathan vs. CIT (1984) 145 ITR 198 (Mad.)]. The test of ownership is required to be satisfied in the income year and not in the assessment year. For the purpose of tax, the owner must be that person who can exercise the rights of the owner, not on behalf of the owner but in his own right [R.B. Jodhamal Kuthiala vs. CIT (1971) 82 ITR 570 (SC).]. In this regard, the following legal opinions may also be used as reference or guideline:	
Legatee is the owner of property of deceased, not the executor: Where a will gives life interest in house property to specific legatee, such legatee will be the owner of the property. Income of property will be assessable in the hands of legatee and not of executor [Estate of Ambalal Sarabhai vs. CIT (2000) 245 ITR 445 (Guj.)].	
Ownership in case of insolvency: Here, ownership may vest with the official custodian/receiver and the evacuee is not the owner. The custodian will be assessed [R.B. Jodhamal Kuthiala vs. CIT (1971) 82 ITR 570 (SC).].	
Property owned by Firm: Where the house property is owned by a partnership	

EXHIBIT

CLD

6.1

6.2

6.1

Testing Preconditions of Income from Rent

[Sarvamangala Properties Ltd. vs. CIT (1973) 90 ITR 267 (cal.)].

firm, the partners cannot be assessed as co-owners. The firm is assessable as owner

Case 1: X owns a building. It is let out on rent. Income of rent from the property is taxable under the head "Income from rent", as the above noted conditions are satisfied.

Case 2: Y owns a building. It is used by him for carrying on a business or he uses the building as his office/factory/godown. In this case, no income is taxable under the head "Income from rent".

Case 3: X owns a house property. He lets it out to Y for 3 years (rent being Tk. 10,000 per month). Y sublets it to Z on monthly rent of Tk. 40,000. Rental income of X is taxable under the head "Income from rent". Since Y is not the owner of the house, his income is not taxable under the head "Income from rent", but is taxable under the Agreement to Purchase does not confer ownership unless Assessee can be proved as owner for all intent and purposes: An agreement to buy may confer a claim on certain rights under the Transfer of Property Act, but still it does not make the purchaser the owner until the sale deed is registered in his favor [Ramkumar Mills P. Ltd. Vs, CIT (1989) 180 ITR 464 (Kar.)]. The vendor continues to be the owner of the property and is liable to be assessed under the head "Income from House Property" [CIT vs. Sultan Brothers Pvt. Ltd. (1983) 142 ITR 249 (Born.)]. ☐ Benami Properties - Beneficial Owner to be Assessed: Where the property is purchased by X in the name of his son, Y, the assessment of income from such property on X is valid as he is found to be the real purchaser of these property. Burden of proof to show that the assessee is that real owner in cases like this is heavily on the Income Tax Authority [M/s ER Chowdhury vs. CIT 37 DLR 210; CIT vs. Ajit Kumar roy (2001) 252 ITR 468 (Cal.)]. Disputed Ownership - Assessment cannot be held up: The assessment proceeding cannot be held up on account of dispute relating to title of the property either in or outside the Court [Keshardeo Chamria vs. CIT (1937) 5 ITR 246 (cal.)]. The decision as to who is the owner rests with the Assessing officer. The person who is in receipt of income is assessed to tax. If, however, the decision of the Court goes against the interim decision of the tax authorities, the back years assessments are to be rectified according to the verdict of the Court. Trustees are the owner in case of property held under a Trust: Trustees are assessed for legally vested property [Vakil vs. CIT ITR 298, 302]. Where the property is mortgaged: The mortgager will pay tax on income from house property; hence the ownership has not transferred. Where the property is leased: Generally, in case of long-term lease agreement, the lessee is liable to pay tax. But in case of short-term lease agreement, the lessor will be assessed, and the income will be recorded under "Income from Other Sources".

COMPUTATION OF TOTAL RENTAL VALUE

Total Rental Value of a House Property owned by a Person

In a particular income year, total rental value of any house property owned by a person shall be computed using the following formula:

A = (B + C + D + E) - F

Here.

6.5

CLO

6.3

6.4

A : Total Rental Value

B : Higher of actual rental value and the annual value of the property

C : So much of the adjustable rent received as advance against the rent of the house property which has been adjusted during that income year, provided that it shall not be include any unadjustable advance or security deposit;

D : Any amount or value of any benefit from the property other than the salami or premium in addition to B & C, received in whatever name

E : Service charge, repair & maintenance charge or any other amount paid by the tenant:

F: Vacancy allowances, only allowed by producing electricity bills as proof of vacancy

Total Rental Value of a Property other than House Property Total Rental Value of a Property In a particular income year, total rental value of any property other than house property

shall be computed using the following formula:

 $\mathbf{A} = (\mathbf{B} + \mathbf{C} + \mathbf{D})$

Higher of actual rental value and the annual value of the property Higher of actual rental value and the animal state of the house property so much of the adjustable rent received as advance against the rent of the house property so much of the adjustable rent received as advance against the rent of the house property.

So much of the adjustable rein received which has been adjusted during that income year, provided that it shall not be include any which has been adjusted during that income year. unadjustable advance or security deposit;

unadjustable advance of section of the unadjustable advance of section of the property otherwise, or additional amount/benefits from the property of the prope

Note: Here, property other than house property means the property that can be let Olif namely, land, furniture, fixtures, fittings, factory buildings, lawn, machinery, personal vehicles and any other capital nature of asset. It also includes:

Any building that is fully used as a store, or

☐ Any factory building that is let out as an integral part of letting out plant and machinery.

Annual Value

According to Section 2(62) of the ITA, 2023 'annual value' shall be deemed to be in relation to any property let out:

- the sum for which property might reasonably be expected to let from year to year (generally, the municipal value) or
- where the annual rent in respect thereof is in excess of the sum referred to in above paragraph, the amount of the annual rent.

6.6 CLO 6.2

64

RENTAL STATUS OF THE PROPERTY

Actual assessment of income from this head is based on rental status of the property. The property can be fully let out, partly let out, or can be fully occupied by the owner. Brief explanation of these three statuses is presented below.

Fully Let Out House Property

Annual value in such a case refers to all reasonable income (municipal value) generated from the whole house property or the actual annual rental income from the same property if reasonable income is less than actual rental income [section 2(62)]. The whole income from such property is taxable income.



Mr. Akmal is the owner of a house which he let out at a monthly rent of Tk. 10,000. Calculate total rental value when reasonable income/municipal value of the house is

(a) Tk 135,000

(b) Tk 110,000.

EXHIBIT

Computing Annual Value (AV) & Total Rental Value (TRV)

Case 1: Mr. Zia is the owner of a house which he let out at a monthly rent of Tk. 9,500. Reasonable value/ Case 1: Mr. Ziu is the Garles of a mouse which he let out at a monthly rent of Tk. 9,500. Reasonable value/ Municipal value of the house is Tk. 120,000. Here, Annual value (AV) and total rental value (TVR) of the house is:

Reasonable Value Tk. 114,000 Higher one Tk. 120,000 AVTotal Rental Value (A): Tk. 120,000

al Rental value (e.).
Higher of actual rental value and the annual value of the property

Amount of adjustable advance adjusted during the income year Amount or benefits received other than salami or premium Tk. 120,000

Additional and a service charge, repair & maintenance charge or any other amount paid by the tenant

Vacancy allowance, by producing electricity bills as proof of vacancy Total Rental Value (A) = (B + C + D + E) - F

Case 2: Mr. Zia is the owner of a house which he let out at a monthly rent of Tk. 9,500. Municipal value/ Case 2: mr. But a series of the house is Tk. 120,000. As per the agreement, the tenant has borne all city Reasonance that the tenant has borne all city corporation taxes relating to the house property, which amounted to Tk. 8,000 for the year. He received an corporation (a.10,000 by letting out the roof top community hall of the building. He claimed one month's vacancy of the house by producing electricity bills as proof of vacancy. Here AV and TRV of the house is:

Actual Rental Value (9,500 x 12) Tk. 114,000 Reasonable Value Higher one AV Tk 120,000 Tk. 120,000 Total Rental Value (A):

Higher of actual rental value and the annual value of the property

Amount of adjustable advance adjusted during the income year Additional amount or benefits received other than salami or premium

Service charge, repair & maintenance charge or any other amount paid by the tenant

F: Vacancy allowance, by producing electricity bills as proof of vacancy (B/12) *1

Total Rental Value (A) = (B + C + D + E) - F

8.000 (10.000)Tk. 128,000

Tk. 120,000

10.000 Tk. 130,000

Tk. 120,000

10.000

Case 3: Mr. Zia is the owner of a storehouse in Munshiganj, which he let out at a monthly rent of Tk. 9,500. Municipal value/ Reasonable Rental Value of the house is Tk. 120,000. He received an additional Tk. 10,000 from letting out the lawn of the storehouse for a vaccination program arranged by local NGO. Here Annual value and

Actual Rental Value (9,500 × 12) Tk. 114,000 Higher one Reasonable Value AV Tk. 120,000 Tk. 120,000

Total Rental Value (A):

B: Higher of actual rental value and the annual value of the property

C: Amount of adjustable advance adjusted during the income year

D: Additional amount or benefits received from the property

Total Rental Value (A) = (B + C + D)

Partly Let Out House Property

When a part of the house is used by the owner for his own purpose and the other part is let out then only income from the let-out part is needed to be assessed. Annual value in such a case refers to all reasonable income (municipal value) generated from the let-out part of the house property or the actual annual rental income from the let-out part of the same property

if reasonable income is less than actual rental income. Here, all admissible expenses against

Fully Occupied House Property by the Owner

Annual value in such a case is not needed not to be computed and considered as non. assessable income according to the Income Tax Act, 2023.

CLO

6.6

ADMISSIBLE EXPENSES

Allowable Deductions from Rent of House Property Owned by a Person

As per section 38(1), the following expenses are allowed to be deducted from the total

- Insurance premium: The amount of any premium paid to insure the property
- Interest on borrowed capital: Where the property has been acquired, constructed renovated or reconstructed with borrowed capital from bank or finance company, the amount of any interest or profit payable on such capital [Section 38(b)].
- ☐ Annual tax: Where the property is subject to an annual charge (includes any property tax, fee or other annual charge), not being a capital charge [Section 38(c)].
- ☐ Interest on borrowing during construction: Any interest or profit paid during the pre-rental period to any bank or finance company on any capital loan used for the acquisition, construction, repair, reconstruction or new construction of the house property shall be charged in total 3 (three) equal installments in the consecutive years from the relevant income year associated with commencement of the rent. Provided that no adjustment of such interest will be applicable after this time (i.e. after first three years) [Section 38(d)]
- Repair and maintenance: The sums mentioned in the table below for collection of rent, water and sewerage, electricity, gas, service charges, repair and maintenance charges and any other basic service charges, namely - as per section 38(e); 1000 11

Admissible expense (% of total rental value)

If the	commercial purpose	}[30%
property is used for	non-commercial purpose (e.g. residential purpose)	[25%

- Proportional expenses for partly let-out house property: Where the property is let out in parts, proportionate value of the admissible expense relevant to the let-out part shall be considered as admissible [Section 38(f)].
- ☐ Proportional expenses for house property let out for a part of the income year: Where the property is let out for a time portion of the income year, proportionate value of the admissible expense relevant to the time portion shall be considered as admissible [Section 38(g)].

Allowable Deductions from Rent of Any Property other than House Property As per section 38(2), In computing income from rent of any property other than house property, deductions shall be allowed subject to the following limits and conditions: The deductions allowed under sections 49-55 (details are given in chapter eight) in

computing income from business subject to such limits and conditions. All deductions other than the allowances allowed under the Third Schedule are

Computation of Income from Special Rent and Limitations/Restrictions

☐ Any portion of any statutory deduction claimed as unexpended under clause 38(1)(e) i.e. unspent portion of the allowable repair and maintenance expenses

Except in areas of accounting adjustments, deductions not permitted under above mentioned Section 38(2) shall be treated as income from special rent;

No deduction, adjustment of loss or set-off and no allowance under the Third Schedule shall be allowed against the income computed as income from special rent and such income shall be taxed at the regular rate of tax.

EXHIBIT

Calculation of Annual Value and Income from Special rent

Case 1: Mr. D is the owner of a house which he let out at a monthly rent of Tk. 8,500 for residential purposes. Annual reasonable rental value of the house is Tk. 96,000. He spent Tk. 30,000 as repair and maintenance. Calculate (a) total rental value (b) Income from Special Rent, if any.

Here, annual value of the house is:

Actual Rental Value (8,500 × 12) Reasonable Rental Value

Tk. 102,000 Tk. 96,000

Higher one

Annual Value Tk. 102.000

- (a) So, the total rental value is Tk. 102,000.
- (b) Allowable repair and maintenance will be 25% of total rental vale i.e. (Tk. 102,000 × 25%) = Tk. 25,500. Since the actual repair and maintenance expense amount is Tk. 30,000, there is no unspent repair and maintenance expense amount, hence there will be no income from special rent.

Case 2: Mr. E is the owner of a house which he let out at a monthly rent of Tk. 8,500 for commercial purposes. Annual reasonable rental value of the house is Tk. 110,000. He spent Tk. 25,000 on repair and maintenance. Calculate (a) total rental value (b) Income from Special Rent, if any

Here, annual value of the house is:

Actual Rental Value (8,500 x 12) Reasonable Rental Value

Tk. 102,000 Tk. 110,000 Higher one

Annual Value Tk. 110,000

(a) So, the total rental value is Tk. 110,000.

(b) Allowable repair and maintenance will be 30% of total rental vale i.e. (Tk. 110,000 × 30%) = Tk. 33,000 Since the actual repair and maintenance expense amount is Tk. 25,000, the unspent amount of repair and maintenance expense is (Tk. 33,000 - Tk. 25,000) = Tk. 8,000, hence it will be shown as income from special rent.

About it the owner of a house which he let out for residential purposes. The total Mr. Alorent is the course of a house which re-related by the income from special rent, if remain value of the house is Tk. 100,000. What will be the income from special rent, if the repair and maintenance is Tk. 30,000. fal actual amount pard for repair and maintenance is Tk 30,000

or trust amount part for repair and maintenance is Tk 20,000.

TAX DEDUCTION AT SOURCE FROM RENTAL INCOME

CLO

65

6.8

According to section 109 of the ITA, 2023

According to section 100 of the CTA Stated in Section 140(3)] is a tenant in respect of a where, any specified person [as listed in Section 140(3)] is a tenant in respect of a where, any specified person [as listed in Section 140(3)] is a tenant in respect of a where, any specified person [as listed in Section 140(3)]. where, any specified person (as house; vacant land or plant or machinery; or any house property; hotel or guest house; vacant land or plant or machinery; or any house property; note: or government water reservoir, the tenant shall deduct tax from water reservoir except government water reservoir of payment of the state of payment of water reservoir except at the rate of 5% at the time of payment of such rent, the rent of such property at the rate of 5% at the time of payment of such rent.

where, after the assessment, it is found that no tax was payable by the owner of the where, after the assessment of the where, after the assessment of the amount payable, the amount house property or the tax deducted is in excess of the amount payable. If the amount nouse property of the date of the first and shall be refunded in full if no tax was payable. If the amount deducted is deducted shall be refunded in full if no tax was payable. If the amount deducted is deducted snatt by returned in excess of the amount payable, refund shall be to the extent of the excess deduction to the owner of the house property.

☐ Where the DCT, against an application, gives a certificate in the prescribed form to an owner of house property that, to the best of his belief, the owner is not likely to have any assessable income during the year or the income is otherwise exempted from payment of income tax under any provision of this Act, payment referred herein shall be made without any deduction until the certificate is cancelled.

☐ For this section 'rent' means any payment, paid in whatsoever name, made to use any building including its furniture, fixtures and lands appurtenant thereto, through lease, tenancy, contract or agreement to use such property.

☐ According to Section 140(3) - "specified person" means — any

- company, firm, association of persons, trust, or fund
- public-private partnership,
- foreign contractor, foreign enterprise, or any association or authority established in outside Bangladesh,
- hospital, clinic, or diagnostic center,
- e-commerce Platform with annual turnover exceeding Tk. 1 crore, which doesn't mean any other person, in whatsoever name it is known,
- hotels, resorts, motels, restaurants, convention centers, community center, transport agency with annual turnover exceeding Tk. 1 crore,
- person, not being a farmer, involved in the production/supply of tobacco leaves, cigarette, bidi, chewing tobacco, gul, and any tobacco type goods.



96154" P

Mr Akmal is the owner of a house; municipal value of which is Tk. 135,000. He can let the house out at a monthly rent of Tk. 10,000. Calculate the annual value when - (a) the house was fully let out (b) half of the house was let out and (c) the house was fully occupied by the owner.

EXHIBIT

Repair and Maintenance as an Allowable Expense

Mr. Adib is the owner of two houses: one at Dhaka and another at Khulna-He has let out both the houses Case 1: Mr. Advances: one at Dhaka and another at Khulna. He has let out both the houses at an annual rental amount of Tk. 580,000 and Tk. 600,000 respectively. Municipal values of these houses are Tk. at an annual Tk. 575,000 respectively. House at Dhaka was let out for residential purposes whereas house at Education of the second purposes and Tk. 575,000 respectively. House at Dhaka was let out for residential purposes whereas house at 600,000 and purpose. Here, admissible repair and maintenance expense is:

Vi.	manitenunce expense is:	
Actual Rental Value (ARV)	Dhaka	Khulna
Actual Value Municipal Value (higher one)	Tk. 580,000	Tk. 600,000
Municipal Value (higher one) Annual Value (higher one) Annual Value (higher one) Annual Value (higher one)	600,000	575,000
Annual Value (6,00,000 Repair & maintenance (6,00,000 Admissible expenses: Repair & maintenance	600,000	600,000
Admissible of the owner of a barrier	7 × 25%; 6,00,000 × 30%)	Tk. 180,000

Case 2: Mr. Adib is the owner of a house in Dhaka. He has let out the full house @ Tk. 100,000 per month for Case 2: The full house @ Tk. 100,000 per month for commercial purpose and the municipal value (MV) of the house is Tk. 1,300,000. What will be the amount of commercial and maintenance expense under following independent cases? admissional amount spent as repair and maintenance Tk. 400,000

- (a) Actual amount spent as repair and maintenance Tk. 400,000 (b) Actual amount spent as repair and maintenance Tk. 350,000

uere, annual value is Tk. 1,300,000 [higher of ARV (Tk. 1,200,000) and MV (Tk. 1,300,000). Since the house has Here, united by the commercial purpose, allowable repair and maintenance expense as per section 38(1)(e) is 30% of total rental value i.e. Tk. 390,000. Actual amount of repair and maintenance expense is irrelevant here. Any of total amount of repair will be separately considered as income from special rent i.e. in case of (b) income from special rent is Tk. 40,000

Computation of TDS from House Property

As per Sec. 109 of the ITA, 2023, every specified person [as stated in Sec. 140(3)] who is responsible for making any payment to the owner of a property (house property; hotel or guest house; vacant land/plant/machinery; or any water reservoir except government water reservoir) shall deduct an amount calculated on such payment @ 5%. Here rent received is the amount after TDS. The amount of TDS can be computed as:

TDS = Rent Received × [TDS Rate + (100 - Rate of Tax Deducted at Source)]

EXHIBIT

6.5

TDS on Income from Rent

Case 1: Mr. Zia is the owner of a house which he let out at a gross monthly rent of Tk. 25,000 to a company. The company deducts tax at source at prescribed rate (5%) before paying the rent to him and the municipal value of the house is Tk. 290,000. Here annual value of the house will be calculated as:

Rent received $(23,750 \times 12)$ Add. TDS [285,000 \times {5 \div (100 - 5)}]

Actual Rental Value (ARV) Municipal Value (MV)

Tk. 285,000 15.000

Annual value Tk. 300,000 Higher of ARV and MV Tk. 290,000

205

6.9

MAINTAINING BANK ACCOUNT BY PROPERTY OWNER RECEIVING MONTHLY RENT MORE THAN TK. 25,000

CLO

Where any person having ownership or possession of any property, whether used for Where any person having ownership of possess, receives any sum or aggregate of sums exceeding commercial or residential purposes, receives any sum or aggregate of sums exceeding per month in respect of any rent of such commercial or residential purposes, received in the respect of any rent of such house thousand) per month in respect of any rent of such house the respect to the respect of any rent of such house the respect to the r Tk. 25,000 (twenty five thousand) per limitation a bank account in any scheduled bank property or its unit, such person shall maintain a bank account in any scheduled bank property or its unit, such person shall make property or its unit and deposit such rent for the purpose of depositing rent of the house property or its unit is for the purpose of depositing rein of the such house property or its unit in such bank or any advance received or receivable from such house property or its unit in such bank or any advance received or receivable to a such bank account. Where the person having ownership or possession mentioned above has one account. Where the person having ownership or aggregate of sums exceeding the account. Where the person having or nor aggregate of sums exceeding taka 25,000 or more tenants and receives the sum or aggregate of sums exceeding taka 25,000 or more tenants and receives the same of the same as separate register and record (twenty-five thousand) per month, he may maintain a separate register and record (twenty-five thousand) per indition in the sum or sums received. Nothing regarding particulars of the tenant or tenants and the sum or sums received. Nothing regarding particulars of the tenant contained in this rule shall prevent such person from recording any other particular in the register as specified above.

Penalty for Non-compliance of this provision

According to Section 267(2), The DCT may impose a penalty for non-compliance by the house owner (individual, firm, company or any other organization) of "Higher of 50% of income tax payable amount from rental income or Tk. 5,000". Before imposition of penalty, the assessee must be sent a notice under section 130 for hearing If any assessee (individual, firm, company etc.) has income from business and profession, he has to pay the rent of the house/office/ shop that is used for his business/profession through bank. Otherwise, such rent payment will not be considered as admissible expenses rather will be considered as income and income tax will be applicable on such income. This provision has been taken into effect from July 01. 2014. [IT RULE 8A, Income tax Circular No. 2 (IT)/2014 dated July 22, 2014 & SRO 216/AIN/IT/2014 dated 18/08/2014].

Duties/Responsibilities to be Performed by the House Owners/Tenants

- ☐ If the aggregate monthly house rent amount from one or more tenants exceeds 7k 25,000, the assessee, being the owner or beneficiary of the house, shall maintain a bank account in any scheduled bank for the purpose of depositing such rent;
- ☐ Such bank account may also be used to deposit other incomes of the assessee in addition to house rent or advance rent;
- The assessee may maintain a separate register for his convenience in records, where the monthly rent amount exceeds Tk. 25.000:



. 11

Mr. Akmal owns a house, municipal value of which is Tk. 135,000. He has let the house out @ Tk. 10,000 per month and spent Tk. 45,000 as repair and maintenance expense. The house remains vacant for 2 months during the year. Calculate repair & maintenance and vacancy allowance if the house was let out for (a) residential (b) commercial purpose assuming that the proof has been submitted.

	Chapter - 6 Income from Ken
H	The register shall contain data:
	The register shall contain details and particulars of the tenants' i.e. name, address, the assessee must notify the concerned DCT regarding the bank account details be submitted.
	where house rent are concerned DCT regarding the bank account details
	and the statement of such bank account must
	- mailible Owners - C
	applicable to those owners whose proportional house property income exceeds Tk. 25,000 per month;
	25,000 per month;
	l enants may pay house rept to the
	the rent directly to the landler to the landler through crossed cheque or may deposit
	the rent directly to the landlord's bank account. If any tenant pays the rent in cash, the landlord will deposit that amount of the landlord through crossed cheque or may deposit the landlord will deposit the landlord through crossed cheque or may deposit the landlord will deposit the landlord
	the landlord will deposit that amount to his bank account; Assessee may also open and a count to his bank account;
	attorney will be responsible to maintain the bank account.
	account.

EXHIBIT

Cases Related to Maintaining Bank Account

Case 1: Mr. Amit lives in a 6 storied paternal house at Dhanmondi. There are 10 flats in the house, ownership of which belongs to the four successors of his deceased father (4 flats for Mr. Amit, 2 flats for his mother and 2 flats for each of his two sisters) by way of inheritance. Mr. Amit use 1 flat as residence and rest are let out. His mother's and sisters' flats are also let out. All the flats were let out at a monthly rent of Tk. 25,000 per flat. Moreover, Mr. Amit has taken the possession of a flat at Gulshan (registration process is not completed). The flat is also let out monthly @ Tk. 40,000. One of his two shops in New Market is used by him for his own business and another one is lot out @ Tk. 10,000 per month. Here, requirement of a bank account in depositing rent will be applicable for Mr. Amit (having total monthly rent of Tk. 125,000 (Tk. 75,000 from Dhanmondi, Tk. 40,000 from Gulshan, Tk. 10,000 from New Market)], his mother and two sisters [each having monthly rent of Tk. 50,000] as monthly rent exceeds Tk. 25,000. They also must maintain a separate register to record the relevant details of the tenants and rent collection. The tenants may (1) pay the rent through crossed cheques, (2) deposit the rent to landlord's bank account directly, or (3) pay rent in cash which be later deposited by the landlord to the respective bank account.

Case 2: Mr. Sagar has let out a flat with four rooms where in each room four students live. Each student pays Tk. 2,500 rent per month. Moreover, he has four small rooms under his possession in Mirpur from which he gets Tk. 3,000 as rent for each room. Here, monthly rent from Arambag house is Tk. 40,000 [4 × 4 × Tk. 2,500] and monthly rent from Mirpur house is Tk. 12,000 [Tk. 3,000 × 4]. Although Mr. Sagar receives less than Tk. 25,000 from each of the tenants, he must maintain bank account as total monthly rent (Tk. 52,000) exceeds Tk. 25,000.

Case 3: Prime Bank, Mirpur Branch, is situated at a rented house. The monthly house rent is Tk. 30,000 and after deducting 5% TDS as per the law, the bank pays Tk. 28,500 as house rent. The ownership of the house belongs to four successors (2 sons and 2 daughters) of their deceased father Mr. Hasan. The successors divide the monthly house rent based on the Muslim Shariah Law and in this way each son and daughter get Tk. 9,500 and Tk. 4,750 respectively per month from the rent. Here, as each of them receives less than Tk. 25,000 as monthly house rent, the requirement of bank account will not be applicable for them. But if any of them owns some other houses and aggregate monthly rent exceeds Tk. 25,000 per month, the bank account maintenance will be mandatory.

Case 4: Mr. Ahsan has been paying income taxes for last 20 years. House property is one of his sources of income. Currently he received house rent of Tk. 30,000 per month. After the imposition of new provisions, he has revised the deed with his tenant and received the house rent Tk. 20,000 in cash and Tk. 10,000 in cheque.

EXHIBIT

6.7

Computation of Total Income from Rent

Higher of Actual Rental Value (ARV)* and Annual Value	Tk	Tk
Amount of an analysis and	XXXX	
Any other receipt from property	XXXX	
Service charge, repair & maintenance or other	XXXX	
Vacancy allowance	XXXX	
Total Rental Value	(XXXX)	
(a) Repair and maintenance (note) (Annual x nesidental) (b) Municipal / local tax (c) Land development tax (d) Interest on loan		XXXX
(a) Repair and maintenance (note) (Annual		
(b) Municipal/local tax	XXXX	
(c) Land development tax	XXXX	
(d) Interest on loan	XXXX	
(e) Insurance Premium	XXXX	
(f) Other expenses (if any)	XXXX	
Total Admissible Expenses	XXXX	
let rental income (6 – 8)		XXXX
Issessee's Portion (If applicable)		XXXX
ISSESSED TO THE CONTRACTOR OF		XXXX

*ARV = Rent received from let out property (+) TDS (if any) (-) Tenant's expenses paid by the owner (if any)

Note: Include collection of rent, water and sewerage, electricity, gas, service charges, repair and maintenance charges and any other basic service charges. Admissible limit is 25% for residential & 30% for commercial house.

SOLVED PRACTICAL CASES (SPC)

PROPERTY AT RESIDENTIAL AREA

Mr. Jashim, an assistant professor at a private college, owns a house at Mirpur which has been let out for residential purpose at Tk. 19,000 per month. The municipal value of the house is Tk. 240,000 annually. Expenses that were incurred during the income year for the house includes: repair expense Tk. 65,000; city corporation tax Tk. 7,000; insurance premium Tk. 750 per quarter; interest on borrowed fund Tk. 2,500; and rent collection expenses Tk. 12,000. Compute income from house property for the year.

	Ass	sessee: Jashim A	ssessment Year: 2024 - 2025	Income Year:	2023 - 2024
		come from rent (section 36)		Amount	Amount
'n	1.	Higher of Actual Rental Value an	d Annual Value (note 1)	Tk. 240,000	
CON	2.	Amount of advance adjusted agai	nst rent	-	
0		Any other receipt from property		-	
Tax	4.	Service charge, repair & maintena	ance or other expenses paid by tenant	-	
Ī		Vacancy allowance	,		

In the last assessment year, if he submits the income tax return with the bank statement showing Tk, 10.000 as moss $\frac{1}{3}$. Bangladesh Income Tax - Theory and Practice In the last assessment year, if he submits the income tax return with the bas shown Tk. 30,000 as monthly monthly house rent and later during this assessment period if it is found that he has shown Tk. 30,000 or any nonthly monthly house rent and later during this assessment period if it is found that he monthly rent as Tk. 30,000 or any the DCT may determine the DCT may In the last assessment year, if ne summing this assessment period if it is jound under the most as Tk. 30,000 as monthly monthly house rent and later during this assessment period if it is jound under the monthly rent as Tk. 30,000 or any other house rent in the last assessment year, the DCT may determine the monthly rent as Tk. 30,000 or any other house rent in the last assessment year, the DCT may determine the monthly rent as Tk. 30,000 or any other house rent in the last assessment year, the nessessment purpose. Mr. Ahsan will have to pay income to the monthly house rent and later auring this based on section 2(62) for the assessment purpose. Mr. Ahsan will have to pay income taxes on reasonable value based on section 2(62) for the assessment purpose a penalty for non-compliance. nouse rent in the last assessment y.

The purpose in the last assessment purpose in the last assessment purpose in the last assessment purpose appearance of the last of the last assessment purpose in the last assessment purpose appearance in the last assessment purpose in the la the basis of revised assessment done by the DCT and the DCT will also impose the property income or Tk. 5,000 section 267(2). The penalty will be higher of 50% of income tax payable on house property income or Tk. 5,000

section 267(2). The penalty will be nighter by Source shows less house rent income despite having more than The Moreover, it is to be provided that if any house owner shows less house rent income despite having more than The Moreover, it is to be provided that if any house owner shows less house rent income despite having more than The Moreover, it is to be provided that if any house owner shows less house rent income despite having more than The Moreover, it is to be provided that if any house owner shows less house rent income despite having more than The Moreover, it is to be provided that if any house owner shows less house rent income despite having more than The Moreover, it is to be provided that if any house owner shows less house rent income despite having more than The Moreover, it is to be provided that if any house owner shows less house rent income despite having more than The Moreover, it is to be provided that if any house owner shows less house rent income despite having more than The Moreover, it is to be provided that if any house owner shows less house rent income despite having more than The Moreover, it is to be provided that if any house owner shows less house rent income despite having more than the further determined under section 212 of the ITA, 2023 (Asserting the ITA). Moreover, it is to be provided that if any house owner shows less nouse rection 212 of the ITA, 2023 (Assessment 25,000 monthly house rent income, tax will be further determined under section 272 (Penalty for Consequent 25,000 monthly house rent income, tax will be further determined under both section 272 (Penalty for concealment in case of income escaping assessment, etc.) and he will be fined under both section 272 (Penalty for concealment in case of income escaping assessment, etc.)

Case 5: Mr. Hossain was the owner of a five storied house having ten flats. After his death, he left six successors Case 5: Mr. Hossain was the owner of a five storiea nouse nating the owners as their residence and rest of the flats (wife, three sons and two daughters). Five flats are occupied by the owners as their residence and rest of the flats (wife, three sons and two daughters). Five flats are occupied by the owners as their residence and rest of the flats (wife, three sons and two daughters). Five flats are occupied by the flat by the flats are occupied by the flat by t mandatory as none of the owner's monthly house rent exceeds Tk. 25,000.

Case 6: Mr. Zakir, a non-resident Bangladeshi, lives in Canada. He owns a five storied building (total 10 flats) in Case 6: Mr. Zakir, a non-resident Bangladeshi, lives in Landau. The Mirpur. He has given the power of attorney to his brother Mr. Azad will have to operate a bank account of the Mirpur. He has given the power of attorney to his pround for the house. Under such circumstances, on behalf of Mr. Zakir, Mr. Azad will have to operate a bank account to deposit house. Under such circumstances, on behalf of Mr. Lakii, Mr. Azad will have to be submitted with the house rent amount. The bank statement of the account maintained by Mr. Azad will have to be submitted with the income tax return of Mr. Zakir as proof of house rent income.

Case 7: Mr. Anis hasn't maintained any bank account to deposit house rent. In the current assessment year, he Case 7: Mr. Anis nash t maintained any bulle decisions income Tk. 350,000; rental income Tk. 600,000 and income has shown total income of Tk. 1,150,000 (business income Tk. 350,000; rental income Tk. 600,000 and income has shown total income of 1K. 1,130,000 (business from other sources Tk. 200,000). What amount of fine may be imposed on him under section 267(2) for not maintaining the bank account to deposit the house rent income? Here, his tax liability is Tk. 95,000 as -

,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		On next Tk.	On next Tk.	On next Tk.	Total Tk
	On first Tk.	100.000	400,000	300,000	1,150,000
	350,000	@ 5%	@ 10%	@ 15%	
Rate	@ 0% -	5.000	40,000	45,000	90,000
Tax Less: inv	estment tax credit (as	suming he has no inve	stment allowance)		Nil Tk. 90,000

Fine may be imposed for not maintaining the bank account to deposit the house rent income: Income tax payable on house property income = (90,000 - 11,50,000) × 600,000 = Tk. 46,957

Under section 267(2), the penalty amount will be higher of 50% of income tax payable amount for rental income (i.e., 50% of Tk. 46,957) = Tk. 23,479 or Tk. 5,000. So, the penalty amount will be Tk. 23,479. In this regard, total payable amount of Mr. Anis will be (Tk. 90,000 + Tk. 23,479) = Tk. 113,479. If any interest or surcharge is applicable on it under section 162, it will also be imposed accordingly.

Case 8: Mrs. Haque has income from business and profession. She has claimed Tk. 60,000 (monthly Tk. 5,000) as admissible expense for house rent. If such amount is not paid through crossed cheque or bank transfer, it will not be considered as admissible expense rather will be considered as income from business and income tax will be applicable on such income.



Mr. Miraj is the owner of a house which he let out at a gross monthly rent of Tk. 45,000 to a clinic. The clinic authority deducts tax at source at prescribed rate (5%) before paying the rent to him and Municipal value of the house is Tk. 500,000. Calculate the annual value of the house assuming that the tenant deducts tax at source at prescribed

commercial purpose, repair and maintenance expense is considered as 30% of the annual value. (3) Installation of

Tk. 167,500

Tk. 167,500

PROPERTIES LET OUT FOR DIFFERENT PURPOSES

Number of storied

Mr. Adib is the owner of three houses at Dhanmondi, Dhaka; Agrabad, Chittagong; and Thakurpara, Cumilla. Details of these properties are given below:

One flat of the Dhanmondi house remained vacant for two months during the year with proof. Two flats of the Thakurpara house are occupied by his dependent sons. Considering following details of these properties, compute taxable income of Mr. Adib from house properties for the current income year.

Dhanmondi

175 65	Number of storied	Dhanmondi	Agrabad	Thakurpara
417 7:	Number of flats in each floor	3	1	2
	Rental status	2	1	4
	Purpose	Fully let out	Personal use	Partly let out
	Municipal value (annual)	Residential	-	Commercial
	Rental value (each flat per month)	Tk. 925,000	Tk. 120,000	Tk. 700,000
	Expenses incurred during the year:	12,000	-	7,000
	Repair and maintenance			7,000
	Insurance premium (quarterly)	Tk. 240,000	Tk. 25,000	Tk. 195,000
	Salary of guard	2,000	-	1,500
	• Ground rent	15,000	5,000	17,000
Sub-Carlo		2,000	3,000	A STATE OF THE PARTY OF THE PAR
Jn.j ⁷	 Local government tax (per month) Interest on borrowed fund 	1,200	600	500
¹⁷ he	threfest on borrowed rund	5,000	-	4,000
Assessee: Adib	Assessment Year: 202		,	
Income from re	nt (section 36): Dhanmondi House	24 – 2025	Income Year	: 2023 - 2024
1 111 1 64	oo, Dhanmonul House		Amount	
I. Higher of A	ctual Rental Value and American		Amount	Amount
1. Higher of A 2. Amount of a	ctual Rental Value and Annual Value (not	e 1)	Tk. 925,000	Amount
Z. Amount of a	advance adjusted against rent	e 1) _,		Amount
3. Any other re	advance adjusted against rent eccipt from property			Amount
3. Any other re	advance adjusted against rent seeipt from property ge, repair & maintenance or other expense			Amount
Amount of a Any other red Service character Vacancy all	advance adjusted against rent seeipt from property ge, repair & maintenance or other expense owance [(900,000 ÷ 6) × 2 ÷ 12]			Amount
3. Any other re Service char Vacancy all 6. Total Rental	advance adjusted against rent exceipt from property ge, repair & maintenance or other expense owance [(900,000 ÷ 6) × 2 ÷ 12] Value		Tk. 925,000	Amount Tk. 900,000
Amount of a Any other re Service char Vacancy all Total Rental Admissible	advance adjusted against rent exceipt from property 'ge, repair & maintenance or other expense owance [(900,000 ÷ 6) × 2 ÷ 12] I Value Expenses		Tk. 925,000	
3. Any other re 4. Service char 5. Vacancy all 6. Total Rental 7. Admissible (a) Repair a	advance adjusted against rent exceipt from property rge, repair & maintenance or other expense owance [(900,000 ÷ 6) × 2 ÷ 12] I Value Expenses and maintenance (900,000 × 25%)		Tk. 925,000	
Amount of a 3. Any other re 4. Service char 5. Vacancy all 6. Total Rental 7. Admissible (a) Repair a (b) Fire Ins	advance adjusted against rent expense or other expense owance [(900,000 ÷ 6) × 2 ÷ 12] Value Expenses and maintenance (900,000 × 25%) urance Premium (2,000 × 4)		Tk. 925,000	
Amount of a Any other reads of a Service char Service char Vacancy all 6. Total Rental 7. Admissible (a) Repair a (b) Fire Ins (c) Ground	advance adjusted against rent exceipt from property rge, repair & maintenance or other expense owance [(900,000 ÷ 6) × 2 ÷ 12] Value Expenses and maintenance (900,000 × 25%) urance Premium (2,000 × 4) rent		Tk. 925,000 (25,000) Tk. 225,000	
Amount of a 3. Any other re 4. Service char 5. Vacancy all 6. Total Rental 7. Admissible (a) Repair a (b) Fire Ins (c) Ground (d) Local G	advance adjusted against rent exceipt from property rge, repair & maintenance or other expense owance [(900,000 ÷ 6) × 2 ÷ 12] Value Expenses and maintenance (900,000 × 25%) urance Premium (2,000 × 4) rent overnment Tax (1,200 × 12)		Tk. 925,000 (25,000) Tk. 225,000 8,000	
Amount of a 3. Any other re 4. Service char 5. Vacancy all 6. Total Rental 7. Admissible (a) Repair a (b) Fire Ins (c) Ground (d) Local G (e) Interest	advance adjusted against rent exceipt from property rge, repair & maintenance or other expense owance [(900,000 ÷ 6) × 2 ÷ 12] Value Expenses and maintenance (900,000 × 25%) urance Premium (2,000 × 4) rent overnment Tax (1,200 × 12) on borrowed fund		Tk. 925,000 (25,000) Tk. 225,000 8,000 2,000	
Any other re Service char Service char Service char Service char Service char Control of the char Vacancy alle (a) Repair a (b) Fire Ins (c) Ground (d) Local G (e) Interest Total Admis	advance adjusted against rent exceipt from property (reg. repair & maintenance or other expense owance [(900,000 ÷ 6) × 2 ÷ 12] I Value Expenses (and maintenance (900,000 × 25%)) urance Premium (2,000 × 4) rent overnment Tax (1,200 × 12) on borrowed fund sible Expenses		Tk. 925,000 (25,000) Tk. 225,000 8,000 2,000 14,400	
Any other can Service char Service char Service char Service char Service char Control of the char Vacancy all (a) Repair a (b) Fire Ins (c) Ground (d) Local G (e) Interest Total Admis Net rental income	advance adjusted against rent exceipt from property (re, repair & maintenance or other expense owance [(900,000 ÷ 6) × 2 ÷ 12] I Value Expenses and maintenance (900,000 × 25%) urance Premium (2,000 × 4) rent overnment Tax (1,200 × 12) on borrowed fund sible Expenses e (6 – 8)		Tk. 925,000 (25,000) Tk. 225,000 8,000 2,000 14,400	Tk. 900,000 254,400 Tk. 645,600
Amount of a 3. Any other re 4. Service char 5. Vacancy all 6. Total Rental 7. Admissible (a) Repair a (b) Fire Ins (c) Ground (d) Local G (e) Interest	advance adjusted against rent exceipt from property (re, repair & maintenance or other expense owance [(900,000 ÷ 6) × 2 ÷ 12] I Value Expenses and maintenance (900,000 × 25%) urance Premium (2,000 × 4) rent overnment Tax (1,200 × 12) on borrowed fund sible Expenses e (6 – 8)		Tk. 925,000 (25,000) Tk. 225,000 8,000 2,000 14,400	Tk. 900,000

6.	Total Rental Value	Tk.	60,000
7.	Admissible Expenses (note 2)	ı K.	,
	Admissible Expenses (a) Repair and maintenance (240,000 × 25%) (note 2)		7,000
	(b) City corporation fax		3,000
	(c) Insurance premium (750 × 4) (note 3)		2,500
	(c) Insurance premium (750		

(d) Interest on borrowed fund

8. Total Admissible Expenses Net rental income (6 - 8)

Assessee's Portion (Full)

Notes: (1) higher of actual rental value (i.e., 19,000 × 12 = Tk. 228,000) and municipal value (Tk. 240,000) (2) The Notes: (1) higher of actual rental value (i.e., 19,000 × 12 = 18, 220,000) (2) The house is for residential purpose and so repair and maintenance expense is considered as 25% of the annual value. (3) house is for residential purpose and so repair and manner and value of the house. So, fire insurance premium converted to Annual expenses should be deducted from the annual value of the house. annual figure by multiplying 4 with quarterly premium.



PROPERTY AT COMMERCIAL AREA

Mr. Jaman has a house at Mohakhali commercial area (C/A) with an area of 4,800 square feet. He let out this house to a computer firm at an annual rent of Tk. 600,000 The municipal value per square feet at Mohakhali C/A is Tk. 120. Expenses that were incurred during the income year includes: city corporation tax Tk. 15,000, repair expense Tk. 190,000, fire insurance premium Tk. 9,000, night guard's salary Tk. 7,000. and installation of electricity line Tk. 25,000. During the year Mr. Jaman paid installment of loan to HBFC Tk. 67,500 (principal amount is Tk. 64,000). According to the agreement, the owner bears the water and gas bill of the tenant which amounted to Tk. 20,000 for the year. Compute income from house property for the year.

As	sessee: Jaman	Assessment Year: 2024 - 2025	Income Year:	2023 – 2024
Inc	come from rent (section 36)		Amount	Amount
1.	Higher of Actual Rental Value	and Annual Value (note 1)	Tk. 580,000	10 F
2.	Amount of advance adjusted ag	gainst rent	•	
3.	Any other receipt from property	/	4.	1 31 E 1
4.	Service charge, repair & mainte	enance or other expenses paid by tenant	-	
5.	Vacancy allowance		-	-
ó.	Total Rental Value			Tk. 580,00
7.	Admissible Expenses			
	(a) Repair and maintenance (5	80,000 × 30%) (note 2)	Tk. 174,000	
	(b) City corporation tax		15,000	
	(c) Insurance premium	•	9,000	12 1821214
	(d) Interest on borrowed fund		3,500	1,
3.	Total Admissible Expenses			201,50
Ve	rental income (6 - 8)			Tk. 378,50
Ass	essee's Portion (Full)		*	Tk. 378,50
				1 K. 570,50

Notes: (1) higher of actual rental value (i.e., rent received Tk. 600,000 less tenant's expenses paid by the owner Tk. 20,000 = Tk. 580,000) and municipal value (i.e., Tk. 4,800 × 120 = Tk. 576,000) (2) Since the house is let out for

Inci	ome from rent (section 36): Thakurpara House	Amount	
1.	Higher of Actual Rental Value and Annual Value (note 1)	Th sac a	Amount
2.	Amount of advance adjusted against rent	Tk. 525,000	"ount"
3.		-	
4.	Service charge reports	- 4	
5.	Service charge, repair & maintenance or other expenses paid by tenant Vacancy allowance	4	
6.	Total Rental Value	- 3	11 5
7.	Admissible Expenses		Tk. 525,000
	(a) Repair and maintenance (525,000 × 30%)	Th. 1 cm	223,000
	(b) Fire Insurance Premium $[(1,500 \times 4) \times 6 \div 8]$	Tk. 157,500	-
	(c) Local Government Tax $[(500 \times 12) \times 6 \div 8]$	4,500	
	(d) Interest on borrowed fund $[4,000 \times 6 \div 8]$	4,500	
8.	Total Admissible Expenses	3,000	
Net	rental income (6 – 8)		160
Asse	assee's Portion (Full)		169,500 Tk 255
Agg	regate income from all house properties [646,600 + 355,500]		Tk. 355,500 Tk. 355,500
Vot	== (1) 1: 1		1 001
Tk. 5	s: (1) higher of actual rental value (12,000 × 12 × 6 = Tk. 864,000 for Dhanmo	ndi have	1,001,100

Notes: (1) higher of actual rental value (12,000 × 12 × 6 = Tk. 864,000 for Dhanmondi house and $7,000 \times 6 \times 12 = 1000$ Notes: (1) figher of actual rental value (12,000 \times 12 = 0. Tk. 504,000 for Thakurpara house) and municipal value (Tk. 925,000 for Dhanmondi house and $700,000 \times 6 \times 8 = 0.000$ 1k. 504,000 for Thakurpara house) (2) House at Agrabad is occupied by the owner, so it is fully exempted (3) The



ADJUSTMENT OF ADVANCE, VACANCY ALLOWANCE

Mr. Arup is the owner of a five-storied building at Mohakhali. He started the construction of the house on 1st July 2021 and completed the construction on 30th June 2023. He resides with his family in a flat on the 2nd floor and uses another flat for the purpose of his business. Two flats on another floor are used by his two brothers with whom he hasn't signed any rental agreement.

All other floors (on each floor there are two flats) are let out for residential purposes at a monthly rent of Tk. 20,000 per flat. He has also signed supplementary agreements with the tenants and based on that he receives Tk. 6,000 for repair and maintenance, and Tk. 4,000 as service charge. The annual value of each flat is set as Tk. 360,000. From the six tenants, in the income year 2023-2024, he received advances of Tk 500,000 (to be adjustable against rent Tk. 10,000 per month) and Tk. 200,000 for security deposit (not adjustable against rent).

Expenses that were incurred during the current income year for the house include: city corporation tax Tk. 50,000; insurance premium Tk. 10,000; interest on loan for the current income year Tk. 120,000 of which he paid Tk. 100,000; interest on loan paid during the pre-completion period Tk. 450,000; alteration cost for ground floor Tk. 30,000; and installation of IPS Tk. 25,000. During the year, two flats were vacant for two months and he has the electricity bill as proof. Compute taxable income of Mr. Arup from house property for the income year. thirt mer a se seel

Chapter 2 6 Income from Rent Assessment Year: 2024 - 2025 Income from rent (section 36) Higher of Actual Rental Value and Annual Value (note 1) Amount of advance adjusted against rent (note 2) Income Year: 2023 - 2024 Any other receipt from property (note 3) S charge, repair & maintenance or other expenses paid by tenant (n 4) Amount Amount Tk. 28,80,000 Admissible Expenses (a) Repair and maintenance (27,60,000 × 25%) (120,000)(b) City corporation tax $(50,000 \times 8 \div 10)$ Tk. 27,60,000 (c) Insurance premium $(10,000 \times 8 + 10)$ (d) Interest paid (100,000 × 8 ÷ 10) Tk. 690,000 (e) Interest on pre-completion period $(450,000/3 \times 8 + 10)$ 40,000 8,000 8. Total Admissible Expenses 80,000 Net rental income (6 - 8) 120,000 Assessee's Portion (Full)

Notes: (1) higher of actual rental value (i.e., $20,000 \times 12 \times 6 = \text{Tk}$. 14,40,000) and annual value (i.e., Tk. 360,000 × 10 × 6 = Tk. 14,40,000) and annual value (i.e., Tk. 360,000 × 6 Notes: (1) nigner of actual remarkance (i.e., $20.000 \times 12 \times 6 = 1k$, 14.40,000) and annual value (i.e., Tk, $360,000 \times 12 \times 6 = 1k$, 14.40,000) and annual value (i.e., $14.360,000 \times 12 \times 6 = 1k$). The considered in (1), there is no need to consider the amount of 8 = 1k. 28,30,000/ (2) Since annual value has been considered in (1), there is no need to consider the amount of advance adjusted against rent. But if the actual rental value is higher, then it will be considered. (3) There is no other advance adjusted against the actual remainder it is night, then it will be considered. (3) There is no other additional receipt from the house property (4) Since annual value is considered in (1), there is no need to consider additional receipt from the mouse property (*) since annual value is considered in (1), there is no need to consider the amount of the expenses paid by the tenant. But if the actual rental value is higher, then it will be considered. (5) the amount of the expenses pand by the tenant, but if the actual rental value is higher, then it will be considered. (5)

Assuming that there is no unspent repair expense amount (5) Admissible expenses have been considered Assuming that there is no disposit tepan expense amount (5) Admissible expenses have been considered proportionately for 8 flats, out of 10. (6) Alteration cost for ground floor & installation of IPS are capital expenditure,



Fel Botte

1766175

Assessee: Arup

ADVANCE, EXPENSE BORNE BY TENANTS, VACANCY ALLOWANCE

Mr. Abedin is the owner of a three-storied building at Mirpur. He resides with his family on one floor and the other two floors were let out for residential purposes. According to the agreements the tenants must deposit Tk 60,000 per floor to his bank account on a monthly basis. In the income year 2023-2024, he received advances of Tk 800,000 (to be adjustable against rent Tk. 20,000 per floor per month) and Tk. 10,00,000 for security deposit (not adjustable against rent) from each tenant. During the current income year, according to the agreement, the tenants paid service charges Tk. 50,000 in total. He also received Tk. 15,000 for letting out the rooftop community hall of the building for a birthday party.

During the year, one floor was vacant for one month and he has the electricity bill as proof. He paid the following expenses related to the property for the year: repair expenses Tk. 190,000; city corporation tax Tk. 24,000; insurance premium Tk. 15,000; caretaker and night guard salary Tk. 24,000; painting cost of the building Tk. 15,000; land revenue paid Tk. 3,000; mortgage interest paid Tk. 60,000; legal expense Tk. 6,000; alteration cost for ground floor Tk. 30,000; installation of generator Tk. 50,000; and fuel cost of generator Tk. 20,000. Compute income from rent for the year.

938,000

Vacancy allowance [362,500 × 2 ÷ 12]	Chapter - 6 Income from Rent
Total Rental Value Admissible Expenses	(60,417)
(a) Repair and maintenance (302 082	Tk. 302,083
(b) City corporation tax (22,000 × 1 ÷ 2) (c) Insurance premium (16,000 × 1 ÷ 2)	Tk. 90,625
(d) Land revenue paid $(2,000 \times 1 \div 2)$	11,000
(e) Interest paid to HBFC $(6,000 \times 1 + 2)$	8,000
(c)	1,000

Notes: (1) higher of actual rental value [i.e., rental value (28,500 \times 12) = Tk. 342,000 plus tax deducted at source Notes: (1) inguity (100 – 5) = Tk. 18,000) = Tk. 360,000] and municipal value (i.e., Tk. $725,000 \times 1 \div 2 = Tk$. 362,500) and municipal value (i.e., Tk. $725,000 \times 1 \div 2 = Tk$. 362,500) (342,000 \times 1) Legal expense is not an admissible expense. (3) Diesel cost is a part of repair and maintenance.

١	SPC	
	6.7	\mathbf{I}
	0.7	

g Total Admissible Expenses

Net rental income (6 - 8)

Assessee's Portion (Full)

PROPERTY LET OUT BOTH FOR RESIDENTIAL AND COMMERCIAL PURPOSES, VACANCY ALLOWANCE, PARTLY OWNED PROPERTY

3,000

113,625

Tk. 188.458

Mr. Aziz Ahmed is the joint-owner (owned half) of a two-storied building at Gulshan. Mr. Ahmed let out one floor for residential purpose at a monthly rent of Tk. 25,000 and another floor has been let out to a company at a monthly rent of Tk. 30,000. The company deducts tax at source at prescribed rate (5%) before paying the rent to him. The municipal value of the house is Tk. 650,000. Expenses incurred for that house during the year were: city corporation tax Tk. 22,000; insurance premium Tk. 16,000; legal expense Tk. 10,000; land revenue paid Tk. 2,000; and interest paid to HBFC Tk. 6,000. Compute income from rent of Mr. Aziz Ahmed for the year.

Assessee: Aziz Ahmed	Assessment Year: 2024 - 2025	Income Year	- 2023 - 2024
Income from rent (section 36)			
I. Higher of Actual Rental Valu	e and Annual Value (note 1)	Amount	Amount
2. Amount of advance adjusted	against rant	Tk. 660,000	
3. Any other receipt from proper	against rein	-	
		· -	
s Charge, repair & maintenan	ce or other expenses paid by tenant	· · · · · -	
and wance	Countries (98) The Mark	-	
5. Total Rental Value	$e = \sqrt{2}$		Tk. 660,000
Admissible Expenses			1 K. 000,000
(a) Repair and maintenance	(note 2)	Tk. 183,000	
(b) City corporation tax		22,000	
(c) Insurance premium		16,000	
(d) Land revenue paid		2,000	
(e) Interest paid to HBFC		6,000	,
*	the bright was a second	A	
Total Admissible Expenses	Iran and the Control of the Control		229,000

E)40	all mates a current	Near: 2024 - 2025	Income Year:	2023 - 200
A	sessee: Abedin Assessme	ent Year: 2024 - 2025	Amount	Amount
		www.loo (note 1)	Tk. 14,40,000	Mount
ĭ	The mail Viela Profession	al Value (note 1)	480,000	
5	Amount of advance adjusted against rent	(note 2)	15,000	
3	Any other receipt from property	mees paid by tenant	50,000	
4	Any other receipt from property S charge, repair & maintenance or other e	expenses pare of	(80,000)	
5	Vacancy allowance (note 3)			Tk. 19,05,00
6.	Total Rental Value			, 5,00
7.	Admissible Expenses	25%)	Tk. 476,250	
	(a) Repair and maintenance (19,05,000)	2370)	16,000	
	(b) City comporation tax (24,000 × 2 = 3)		10,000	
	(c) Insurance premium (15,000 × 2 = 3)		2,000	
	(d) Land revenue paid (3,000 × 2 = 3)	2 ÷ 3)	40,000	
	(e) Interest on borrowed fund (60,000 ×	<i>2</i> 3)		544.20
8.,	Total Admissible Expenses			Tk. 13,60,75
Né	rental income (6 - 8)	*>> (4)		
Spr	cial Rental Income [Unspent repair u/s 39(1)] (n-4)		227,25
	al rental moome			15,88,00
As	essee's Portion (Full)			Tk. 15,88,00

Notes: (1) higher of actual rental value (i.e. (60,000 × 2 × 12) = Tk. 14,40,000 and municipal value (not given) (2) advance advance advance against the rent {1 e (20,000 × 2 × 12) = Tk. 4,80,000 (3) vacancy allowance will be equivalent to the monthly new and adjustable rent against advance, as both are included in (1) and (2) i.e. Tk. 60,000 + Tk. 20,000 80.000 (4) Actual amount paid for repair and maintenance (repair expenses Tk. 190,000 + caretaker and night The 24,000 + painting cost of the building Tk. 15,000 + fuel cost of generator Tk. 20,000 = Tk. 249,000 Allowable repair and maintenance amount i.e. 25% of TRV = Tk. 4,76,250. So, unspent amount of repair expense is 1k. 4, % 250 - Tk. 249,000 = Tk. 227,250. (5) floor alteration and generator installation cost are capital expenditure



PROPERTY LET OUT TO BANK, TDS

Mr. Jalal Ahmed is the owner of a two-storied building at Gulshan. Mr. Ahmed resides with his family in one floor and another floor has been let out to a branch of Prime Bank at a monthly rent of Tk. 30,000. The bank authority deducts tax at source at prescribed rate (5%) before paying the rent to him. The municipal value of the house is Tk. 725,000. Expenses incurred for the house during the year were: city corporation tax Tk. 22,000; insurance premium Tk. 16,000; land revenue Tk. 2,000; interest to HBFC Tk. 6,000: and alteration cost of ground floor Tk. 30,000. Besides, the let-out floor was vacant for 2 months during the year. Compute income from house property for the year.

Assessee: Jalal Ahmed Assessment \	/ear: 2024 – 2025	Income Year:	2023 - 2024
Income from rent (section 36) I. Higher of Actual Rental Value and Annual V. Amount of advance adjusted against rent The section of the section 36) Income from rent (section 36) Inc		Amount Tk. 362,500	Amount
Any other receipt from property S charge, repair & maintenance or other expe	nses paid by tenant	1 9800 ** 1 3 3 5 m **	

Net rental income (6 - 8) Assessee's Portion (Half)

Tk. 431,000 Tk. 215,500

Notes: (1) higher of actual rental value [i.e., rental value {residential purpose: $(25,000 \times 12) = \frac{300,000}{12} = \frac{300,0$ commercial purpose (28,500 × 12) = Tk. 342,000} = Tk. 642,000 pius tax accusto (372,000 × 5 \times (100 × 5)) = Tk. 18,000, total = Tk. 660,000] and municipal value (i.e., Tk. 650,000) (2) Allowable repair and maintenance (370,000 × 30%) = Tk. 183,000. (3) Legal expense is not an admissible expense. 5)} = Tk. 18.000, total = Tk. 660,000] and municipal value (i.e., the sequence is not an admissible expense [(300,000 × 25%) + (360,000 × 30%)] = Tk.183,000. (3) Legal expense is not an admissible expense.



INTEREST ON LOAN DURING THE CONSTRUCTION PERIOD, ADVANCE RENT

Mr. Taleb has a two storied building at Motijheel commercial area. He has started the Mr. Taleb has a two stories on 1st July 2021 and completed the construction on 30th June 2023. After the construction, he let out the full building to a branch of Prime bank at a monthly rent of Tk. 200,000 effective from 1st July 2023. He has also taken Tk. 2,000,000 as advance from Prime Bank as security deposit which is not to be adjusted against rent. The municipal value of the house is Tk. 2,500,000. Expenses incurred during the income year for that house were: repair expense Tk. 400,000; city corporation tax Tk. 30,000; fire insurance premium Tk. 18,000; and installation of IPS Tk. 50,000. Mr. Taleb borrowed Tk. 2,000,000 from Prime Bank Motijheel Branch 6% interest on 1st July 2021. Per year installment of the loan is Tk. 300,000 (total interest expense during the construction period of 2 years is Tk. 240,000; assuming simple interest). Compute income from rent for the year.

Ass	essee: Taleb	Assessment Year: 2024 – 2025	Income Yea	r: 2023 – 202
Inc	ome from rent (section 36)		Amount	Amount
l.	Higher of Actual Rental Value	and Annual Value (note 1)	Tk. 2,500,000	Janount
2.	Amount of advance adjusted ag	gainst rent	2,200,000	
3.	Any other receipt from propert		· -	
4.		or other expenses paid by tenant	_	
5.	Vacancy allowance	or construction para by tenant	•	
6.	Total Rental Value			0.0219871
7.	Admissible Expenses			Tk. 2,500,00
	(a) Repair and maintenance (T	°k 25.00.000 × 30%)	TI. 750 000	0011 .
	(b) City corporation tax	K. 25,00,000 × 5078)	Tk. 750,000	
	(c) Insurance premium		30,000	
		action period (240,000 ÷ 3) (note 6)	18,000	1. 1.
	(e) Interest on loan for current	income (240,000 ÷ 3) (note 6)	80,000	, V .
		income year	120,000	94 .0
	Total Admissible Expenses			998,00
	rental income (6 – 8)	C :	,	Tk. 1,502,00
	ial Rental Income [Unspent rep	pair u/s 39(1)] (n-8)		350,00
Γota	l rental income			1,852,00
Asse	ssee's Portion (Full)			Tk. 1,852,00

Notes: (1) higher of actual rental value [i.e., rental value (190,000 × 12) = Tk. 2.280,000 plus tax deducted at source (note 3) $\{2,280,000 \times 5 \div (100 - 5)\}\$ = Tk. 120,000 = Tk. 2,400,000] and municipal value (i.e., Tk. 2,500,000) (2) Since the house is let out for commercial purpose, repair and maintenance expense is considered as 30% of the total

rental value. (3) 5% TDS is applicable as the building is let out to a commercial bank (6) Interest on loan during the rental value. (3) 300 appricable as the building is let out to a commercial bank (6) Interest on loan during the construction period, is admissible in three equal proportionate installments for subsequent first three years as per a subsequent first three years as per subsequent first three years as years. construction period, is admissible in three equal proportionate installments for subsequent first three years as per section 38(d) (7) Installation of IPS is a capital expenditure, so this is not admissible. (8) Actual amount paid for the control of the control section 38(d) (7) missing of the section 38 a capital expenditure, so this is not admissible. (8) Actual amount paid for repair amount of repair expense is Tk. 7,50,000 - Tk. 400,000 - Th. 300 of TRV = Tk. 7,50,000. So,



13 1.

27 600

0000 2

MULTIPLE PROPERTIES, INVESTMENT ALLOWANCE, TAX LIABILITY

- Mr. Atif Iqbal owns two houses, at Azimpur and at Dhanmondi. From the following particulars compute his taxable income and tax liability for the current income year. House at Azimpur: This is a three storied building (two flats in each floor). One of the flats on the first floor (flat 2A) is used as residence by Mr. Atif and the other flat (flat 2B) on the same floor is used by his son-in-law who pays nothing for it. All other flats were let out for residential purpose at a monthly rent of Tk. 8,000 each. The municipal value of the house is Tk. 480,000. He has also received Tk. 100,000 advance from the tenants which is not adjustable against rent. Expenses of the house for the year were: city corporation tax, quarterly Tk. 2,400; land revenue paid Tk. 12,000; loan repayment to HBFC Tk. 42,500 (including interest Tk. 4,200); and installation of generator Tk. 15,000. Flat no. 3B remains vacant for
- House at Dhanmondi: The house is let out to a private bank branch and received monthly rent of Tk. 47,500 net of TDS @ 5%. The municipal value of the house is Tk. 625,000. He has receipt advance of Tk. 1,000,000 in this regard which is not to be adjusted against rent. Expenses of the house for the year were: fire insurance premium Tk. 25,000; municipal taxes Tk. 12,000; cost of alteration Tk. 55,000; ground rent Tk. 10,000 and legal expenses Tk. 12,000.
- Investments and expenses: During the year, Mr. Iqbal incurred investments and expenses as: family expenses Tk. 350,000; insurance premium: Own (policy value Tk. 500,000) Tk. 40,000 and Spouse (policy value Tk. 500,000) Tk. 60,000; purchase of unlisted company's share Tk. 25,000; donation to the Muktijuddho Jadughor Tk. 20,000; donation to a local club Tk. 6,000; donation to Government Zakat fund Tk. 30,000 and donation to a Mosque Tk. 10,000. His net wealth amount is Tk 6 crore at the end of the income year.

1.070	, , , , , , , , , , , , , , , , , , , ,			
Assessee: Atif Iqbal	Assessment Year: 2024 - 2025		ncome Ves	ır: 2023 – 2024
Income from rent (section 3	6): Azimpur House		mount	Amount
 Higher of Actual Rental 	Value and Annual Value (note 1)	Tk.	480,000	Amount
Amount of advance adju	sted against rent		-	
3. Any other receipt from p	property			
	tenance or other expenses paid by tenant			
Vacancy allowance [(48			(16,000)	
Total Rental Value				Tk. 464,000
Admissible Expenses				e in art
(a) Repair and maintena	ance (464,000 × 25%)	Tk.	116,000	"Quest, "

ande 5

Bangladesh Income Tax - Theory and Practice		
Dungmuesn Income 1 m.	8,000	
(b) City corporation tax (2400 × 4 × 5 · 6)	10,000	
(a) I and maximize half (1/2000	3,500	
(d) Interest paid to HBFC (4.200 × 5 · 6)		125
8. Total Admissible Expenses		Tk. 326
Net rental income (6 - 8)		
Assessee's Portion (Full)		Tk. 326,500
	Amount	A
Income from rent (section 36): Dhanmondi House	Tk. 625,000	Amount
Income from rent (section 3a). Default and Annual Value (note 1) 1. Higher of Actual Rental Value and Annual Value (note 1)		1
Amount of advance adjusted against rent	-	
	-	A Second
Any other receipt from property Scharge, repair & maintenance or other expenses paid by tenant	-	
5. Vacancy allowance		
6. Total Rental Value		Tk. 625,000
7. Admissible Expenses		
(a) Repair and maintenance (625,000 × 30%)	Tk. 187,500	
(b) Fire Insurance Premium	25,000	
(c) Municipal Tax	12,000	
(d) Ground rent	10,000	
		234,500
8. Total Admissible Expenses		Tk. 390,500
Net rental income (6 – 8)		Tk. 390,500
Assessee's Portion (Full)		Tk. 717.000
Aggregate income from all house properties [326,500 + 390,500]		1 K. /1/,000
Tax computation and Payment		
Gross tax before tax rebate (workings)		Tk. 31,700
Less: Tax rebute (Schedule 5)		21,000
Net tax after tax rebate (a)		10,700
Minimum tax (b)		5,000
Net amount payable [higher of (a) and (b)]	N 1	10,700
Add: Surcharges -	. 47	10,700
Net Wealth Surcharge (10% of Tk. 10,700)	Tk. 1,070	
14ct wearin Suicharge (10% 01 4 K. 10,700)	1K. 1,070	

Schedule	,	come from Kent
particulars of investment allowance 1. Insurance premium: Own (max: 10% of the policy, i.e., 10% of the policy, i.e., 10% of the policy in th	The same of the sa	Amount
3. Donation to Government Jackat fund 4. Donation to Government Zakat fund Total Investment Allowance	of Tk. 500,000) of Tk. 500,000)	20,000 30,000
Tax Rebate A. 3% of total income* (Tk. 717,000 @ 3%) B. 15% on total investment allowance (Tk. 140,000 @ 15%)	Tk. 21,510	Tk. 1,40,000
C. Tk. 1,000,000 (i.e. 140,000 @ 15%) * excluding income on which a tax exemption or	Tk. 21,000 Tk. 1,000,000	A, B, and C, i.e., Tk. 21,000

c exemption or a reduced rate or minimum tax rate is applicable

Workings: Computation of gross tax liability

	On first Tk. 350,000	On next Tk. 100 000	On next Tk. 267,000	
Rate	@ 0%	@ 5%		Total Tk. 717,000
Tax		5,000	@ 10%	•
Tax		3,000	26,700	31,700

Notes: (1) higher of actual rental value [i.e., Azimpur house: rental value ($8000 \times 5 \times 12$) = Tk. 480,000; Dhanmondi Notes: (1) figure (47,500 × 12) = Tk. 570,000 plus Tk. 30,000 tax deducted at source $\{570,000 \times 5 \div (100 - 5)\}$ house: Tental value (i.e., Azimpur house: $480,000 \times 5 \div 6 = Tk$, 400,000; Dhanmondi house: Tk. Tk. 600,000 and the list of admissible expenses of section 38, legal expense is not mentioned it has been ignored.

☐ Higher of Actual Rental Value (ARV) and Reasonable Value /Municipal Value

KEY POINTS	KEY	POI	NTS
-------------------	-----	-----	-----

11.770

Tk. 30,000

Tk. (18,230)

30,000

	(IVIV) will be considered as the Annual Value (AV) of the property.
	Income should be generated from let out part and not from any part used by the
	owner for personal purpose or for the purpose of his business.
	Any revenue generated from the adjacent premises of a building will also be
	considered as income from rent.
41 ·· •	No assessment should be made on the property occupied by the owner (or his
989-11	dependent like, spouse or son) for personal purpose.
	AV is adjusted by the admissible expenses in computing the taxable income.
	Repair and maintenance is an admissible expense by 25% of total rental value;
TT 17	when let out for residential purpose and 30%, when let out for commercial purpose.
	AV is calculated for the whole income year. Subsequently proportionate amount
1	of AV for the vacant period will be adjusted, subject to the submission of proof.
TO LUFT	No capital nature expenditure is allowed as admissible expense.
- ·- ·	All and the deductions (as per section 38) are, repair and maintenance, insurance
145 th 496	interest on horrowed fund, land development tax.
in co.	Tenant listed in Sec 140(3), shall deduct TDS @ 5% at the time of paying rent.

Environmental Surcharge

b. Advance tax paid c. Adjustment of tax refund

Total Amount Payable

Less: Payments-

Deficit or excess

Tax exempted income

Add: Interest, fine, or any other payment under ITA, 2023

d. Amount paid with return [Balancing figure] Total amount paid and adjusted (a + b + c + d)

a. Tax deducted or collected at source

TIONS

_	THE E OHOICE QUESTION			7 1
N	NULTIPLE CHOICE QUESTION			
١.	Annual value of a house property is the			
	(a) amount of actual tent tent actual rental	value		
	(b) higher of reasonable value and actual rental v (c) lower of municipal value and actual rental v (c) lower of municipal value (d) value (e) lower of municipal value (f) value (g)	alue		
	(c) lower of municipal value and actual		C:	
	(d) amount of municipal value	al purpose, amount o	i income from	rent will be -
2.	(c) lower of municipal value and (d) amount of municipal value When the house property is used fully for person	(b) the fair market	value of the h	louse
	(a) the municipal value of the notes	(d) Nil		
	(a) TV 15 000 per month	amount of	value.	
3.	har warment hours service charge, it will	() increase renta	(d) incre	ease, municipa
•	(a) reduce, rental (b) reduce, municipal Followings are the example of admissible expens	es for Income from I	Rent, except -	
١.	Followings are the example of admissible expens	(b) repair and mai	ntenance expe	nse
	(a) ioan installment	(d) municipal tax		
	(c) uncollectible rent	o ar month the rate	of TDS is -	1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1
i.	(c) uncollectible rent When the house is let out to a clinic @ Tk. 40,00	(c) 7%	(d) none	ofthese
•	(a) 3% (b) 5%	(C) 170	of the	orthese
	(a) 3% (b) 5% Admissible repair and maintenance expense for c	ommercial flouse is	(d) 30%	value
•				, annual /
	(a) 30%, total rental (b) 25%, rental When the house property is used by son-in-law for	or free, amount of ref	ital value is –	st cease
•	(a) the municipal value (MV)	(b) the fair manner	value (FMV)	
	(c) higher of MV and FMV	(d) none		1.0%
	Vanney allowence (with proof) is the amount eq	ual to -		. 1941.2
	(a) monthly rent multiplied by number of month	s the nouse remains	vacant	
	(b) proportionate rental value for the vacant mon	tn(s)		A 1 5 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2
	(c) proportionate municipal value for the vacant	month(s)	S 1 5	EY POIN
	(d) proportionate annual value for the vacant mo.	nth(s)		
L)	Interest on borrowings during construction period	is an admissible exp	ense in the -	
	(a) year when revenue is generated from the hou	se property		
	(b) subsequent year only			
	(c) subsequent three years in equal amount		a - 1	
	(d) none of the above			
).	When the house is let out to a foreign mission @	Γk. 100.000 per mon	th, the rate of	TDS is –
	•	(c) 7%	(d) none	
	(5) 515	(0) //0	, . C.,	
			. /	
ì	RUE (T) OR FALSE (F) IDENTIF	ICATION -	ا الأدر	
	Income should be generated from any let-out part	of the house property	v	OT OF
	Actual rental value increases by any owner's expe	nse(s) naid by the ter	nant	ПТ ОБ
	Interest on mortgage loan is an admissible expens	e even when the loss	n is taken for	
	personal purpose not related to the property.	e even when the load	i is taken ioi	OT OF
	Actual amount of repair and maintenance is not	relevent to and the		
	expense relating to the house property.	relevant to calculat	e admissible	OT OF
	TDS will be charged if tenant is a clinic or hospita		mar . La	пт ПБ
	o and the chine of nospita	4.		OT OF

DISCUSSION QUESTIONS (DQ)

- Explain the concept of income from rent as per the ITA, 2023. p06.1 Define Total Rental value. Explain how it is computed.
- DQ6.2
- What are the conditions of taxation on 'Income from Rent'? DQ6.3 DQ6.4
- Discuss the allowable deductions under 'Income from Rent' as per section 38. DQ6.5
- "House property can be under different rental status and so assessment of income based on
- Discuss the rules relating to Tax Deducted at Source (TDS) applicable for the income under the DO6.6
- State the rate of TDS applicable for rental income. DO6.7
- Write short note on: ☐ Income from partly let out house ☐ Annual value ☐ Actual Rental value ☐ Repair and maintenance expense

PROBLEM CASES (PC)

...H1 2

HM) &

1860 at 450, 5 Coulet Sin

PC6.1: Mr. Huda is the owner of a house which was rented for Tk. 12,000 per month. The municipal value of the house is Tk. 160,000 annually. Expenses incurred in the income year for that house were: repair expense Tk. 18,000; city corporation tax Tk. 4,800; caretaker salary Tk. 12,000; rent collection expenses Tk. 1,500; fire insurance premium Tk. 500 per month; and interest on borrowed fund Tk. 1,500. Compute income from rent for the income year.

PC6.2: Mr. Simanto has the stated house property income for the current income year as: rent received Tk. 600,000; annual value of the house is Tk. 650,000. He spent for repairing his house Tk. 25,000; ground rent paid Tk. 5,000; collection charges of rent 2% of the total rent; guard's salary maintained for his house Tk. 24,000; liftman's salary Tk. 30,000; insurance premium paid Tk. 25,000. He also paid bank interest due to mortgage of the house Tk. 10,000 and land development tax paid to government Tk. 12,000. How much tax does he has to pay?

PC6.3: Mn/ Belal has a house at Banani with an area of 5,000 square feet. He let out half of this house to a Insurance Company at an annual rent of Tk. 36,00,000. The municipal value per square feet at Banani is Tk. 750. Expenses incurred in the income year for that house were: repair expense Tk. 400.000; maintenance expense Tk. 50.000; city corporation tax Tk. 200,000; fire insurance premium Tk. 50,000; and installation of electricity line Tk. 200,000. During the year Mr. Belal paid installment of loan to HBFC Tk. 48,500 (interest amount is Tk. 4,200). Besides all these, Mr. Belal let out the garage just besides the building at a monthly rent of Tk. 2,000. Compute income from rent for the income year.

PC6.4: Mr. Imtiaz is the owner of a 3-storied building (in each floor there are two offats) at Mohakhali. He resides with his family in one flat on the 2nd floor and his son, who is married and not dependent on him, resides in another flat. Moreover, one of his

married daughters also stays with his husband in one flat of the third floor for which married daughters also stays with his married daughters also stays also stays with his married daughters also stays a they pay nothing to him. The other hats are 400,000. In the income year 2023-2024 flat. The municipal value of the house is Tk. 400,000. In the income year 2023-2024 flat. The municipal value of the nouse is the day against rent Tk. 20,000 per floor he received advances of Tk 800,000 (to be adjustable against rent Tk. 20,000 per floor he received advances of Tk 800,000 for security deposit (not adjustable against rent) from per month) and Tk. 10,00,000 for security deposit (not adjustable against rent) from per month) and Tk. 10,00,000 for second, according to the agreement, the tenants buring the current income year, according to the agreement, the tenants each tenant. During the current income years also received Tk. 15,000 for letting out the paid service charges Tk. 50,000 in total. He also received Tk. 15,000 for letting out the paid service charges Tk. 50,000 littotal. The paid service charges T rooftop community hall of the bullding its control of the bullding is a proof. Expenses incurred was vacant for one month and he has the electricity bill as proof. Expenses incurred was vacant for one month and the day were: city corporation tax Tk. 15,000; insurance during the income year for that house were: city corporation tax Tk. 15,000; insurance during the income year for that house the premium Tk. 24,000; legal expense Tk. 5,000; installment of loan paid to HBFC Tk premium 18, 24,000, regal exposes 11,000; and alteration cost for ground floor Tk, 43,000 12,000 (including interest Tk, 1,500); and alteration cost for ground floor Tk, 43,000

PC6.5: Mr. Alam is the owner of three houses at Azimpur, Dhaka; Laldighi Chattogram; and Bagicagong, Cumilla. In Azimpur, one flat remains vacant for two months and in Bagicagong, one flat is occupied by his son-in-law who pays nothing for it. Other flats in Bagicagong were let out to a private nursing home. Compute income from rent for the income year considering the following details.

*	Azimpur	Laldighi	Bagicagong
Number of storied	2	2	3
Number of flats in each floor	2	2	1
Rental status	Fully let out	Personal use	Partly let out
Municipal value (annual)	Tk. 4,00,000	Tk. 1,20,000	Tk. 2,00,000
Rental value (each flat per month)	15,000	' ii. i , 🖚	5,000
Expenses incurred:			
 Repair and maintenance 	70,000	25,000	55,000
 Insurance premium (quarterly) 	2,000	Sant Brief	1,500
 Salary of guard (per month) 	2,000	1,000	1,500
 Ground rent 	* 1 C - 1 = 1	4,000	•
 Local government tax (per mont 		600	500
 Interest on borrowed fund 	8,000	- P(0.7"	6,000

PC6.6: Mr. Singha is the owner of a three-storied building at Mohakhali. Mr. Singha resides with his family on the 2nd floor and all other floors (in each floor there are two flats) are let out at a monthly rent of Tk. 8,700 per flat. The municipal value of the house is Tk. 660,000. He received advance of Tk. 100,000 during the period which is not adjustable against rent. Expenses incurred during the income year for that house include: repair expenses Tk. 60,000; city corporation tax Tk. 18,000; insurance premium Tk. 15,000; caretaker and night guard salary Tk. 24,000; land revenue paid Tk. 9,000; mortgage interest paid Tk. 6,000; interest paid to HBFC Tk. 4,500; interest during the construction period Tk. 33,000; and alteration cost for ground floor Tk. 60,000. During the year one of the tenants on the ground floor left the house without paying rent for one month. Mr. Singha even after taking necessary legal action fails to collect this rent. Besides that, the same flat was vacant for two months during the year. Compute income from rent for the income year.

PC6.7: Mr. Mahbub Polash has a two storied house at Gulshan. He lives in one floor and let out the other floor to a foreigner for residential purpose at a monthly rent of Tk. 80,000. The municipal value of the house is Tk. 2,000,000. He received advance of Tk 160,000 from the tenant during the year of which 50% will be adjusted against rent during the current income year. Moreover, he has received Tk 10,000 from an NGO for allowing them to use the lawn of the house for free vaccination campaign.

Expenses incurred during the year for that house were: repair Tk. 300,000; city corporation tax Tk. 30,000; fire insurance premium Tk. 18,000; night guard's salary Tk. 30,000; and installation of electricity line Tk. 25,000. During the year, Mahbub paid installment of loan to HBFC Tk. 300,000 against a 6% house building loan of Tk. 2,000,000. The let-out floor was vacant for one month during the year. Compute rental income from the house property.

PC6.8: Ms. Rodriguez is the owner of a three-storied building (in each floor there are two flats) at Mohakhali. She resides with her family in one flat on the $2^{\rm nd}$ floor and her son, who is fully dependent on her, resides in another flat. The other two floors have been let out at a monthly rent of Tk. 50,000 each to a Customer Care Center of Grameenphone Limited and a Branch of Prime Bank Limited respectively. In this regard she has received an advance of Tk. 500,000 as security deposit. Moreover, in addition to it she has also let out the garage on the ground floor @ Tk. 15,000 per month to the same companies at an equal proportion.

The following expenses were also incurred during the income year for that house: city corporation tax Tk. 15,000; insurance premium Tk. 24,000; legal expense Tk. 5,000; installment of loan paid to HBFC against a loan of Tk. 24 lac Tk. 300,000 (including interest of Tk. 240,000); and installation cost for lift and generator Tk. 50,000. Compute the amount of taxable income for Mr. Rodriguez from "Income from Rent" for the income year.

High Comment

PC6.9: Ms. Asmit Jahan owns two houses: one at Baridhara and another at Mohammadpur. From the following particulars compute her income form rent and tax liability for the current assessment year.

House at Baridhara: This is a six storied building (two flats in each floor). One of the flats in first floor (flat 2A) is used as residence by Ms. Asmit and the other flat the page ten and (flat 2B) in the same floor is used by her son-in-law who pays nothing for it. All other flats were let out at a monthly rent of Tk. 10,000. The municipal value of the white wash the same of the house is Tk. 1,500,000. Expenses of the house for the year were: White- wash and the state of the sequence Tko 50,000; Repair expense Tk. 1,25,000; Rent collection expense Tk. 8,000; City corporation tax, quarterly Tk. 12,600; Land revenue paid Tk. 6,000; Bangladesh Income Tax = Theory and Practice Salary of guard, monthly Tk. 2,500; Loan repayment to HBFC (including interest Salary of guard, monthly TK. 2,500, to generator Tk. 35,000. Flat no. 3B remains Tk. 4,200 Tk. 42,500 and Installation of generator Tk. 35,000. Flat no. 3B remains

vacant for two months during the year. vacant for two months during the year at a yearly rent of Tk.

House at Mohammadpur: The house is let out to a company at a yearly rent of Tk. House at Mohammadpur: The House at source at prescribed rate (5%) 800,000. The company authority deducts tax at source at prescribed rate (5%) 800,000. The company authority state (5%) before paying the rent to him. Municipal value of the house is Tk. 750,000 and before paying the rent to min. Manual before paying the rent to min. M expenses of the house for the year expenses of the house for the year Municipal taxes Tk. 12,000; Cost of alteration Tk. 55,000; Ground rent Tk. 10,000; Municipal taxes Tk. 12,000; Cost of alteration of the year expenses of the house for the year expenses of the house for the year. Municipal taxes Tk. 12,000, Cost of the Municipal taxes Tk. 12,000, According to terms of agreement the tenants will and Legal expenses Tk. 12,000. bear the service charge which amounted to Tk. 60,000 for the year.

bear the service enarge which the bear the service charges Ms. Asmit incurred investments/expenses for the year threatment and expenses: Ms. Asmit incurred investments of the year threatment and expenses: Investment and expenses. Tk. 420,000; insurance premium, own Tk. 80,000 (policy as: family expenses Tk. 420,000; insurance premium, own Tk. 80,000 (policy as: tamily expenses the 90,000 (policy value Tk. 1,000,000); purchase value Tk. 600,000), spouse Tk. 90,000 (policy value Tk. 1,000,000); purchase primary share Tk. 55,000; contributed to DPS and Universal pension scheme @ primary snare Tk. 35,000 respectively; donated to local club Tk. 16,000; purchase of desktop computer Tk. 55,000.

ANSWERS

. 1	MUL	TIPL	LE CI	HOIC	E QU	EST	IONS	•			©		IN	E/FA	ALSE
-	1	2	3	4	5	6	7	8	. 9	10	1	2	3	4	5
-	<u>,</u>		c	a	ь	a	С	d	C	d	T	T	F	T	T
-		-				٠.									_
S	ELI	F – RI	EVIE	W 6.1	1						- (-)				
						0,000	× 12)) '					Т	k. 12	0,000
`							Valu							13	5,000
	A	nnua	l Valu	ie (hi	gher o	ne)							Ī	k. 13	5,000
							£.	,							
(1	b) <i>A</i>	Actual	Rent	al Va	lue (10	0,000	× 12)	1					Т	k. 12	0,000
	N	I unici	pal V	alue/	Reaso	nable	Value	e				J 1		110	0,000
	Α	nnual	Valu	e (hig	gher o	ne)		7					I	k. 120	0,000

SELF-REVIEW 6.2

- (a) Here, the total rental value is Tk. 100,000. Allowable repair and maintenance will be 25% of the total rental value i.e. (Tk. $100,000 \times 25\%$) = Tk. 25,000. Since the actual repair and maintenance expense amount is Tk. 30,000, there is no unspent amount of repair and maintenance expense hence, there will be no income from special rent.
- (b) Here, the total rental value is Tk. 100,000. Allowable repair and maintenance will be 25% of the total rental vale i.e. (Tk. $100,000 \times 25\%$) = Tk. 25,000. Since the actual repair and maintenance expense amount is Tk. 20,000, the unspent amount of repair and maintenance expense is (Tk. 25,000 - Tk. 20,000) = Tk. 5,000, henceit will be shown as income from special rent.

SELF - REVIEW 6.3

Fully let out Tk. 120,000 135,000 Tk. 135,000	Tk. 60,000 67,500	Personal use
18. 135,000	Tk 67 500	

SELF - REVIEW 6.4

Annual/Total Renal Value:

= higher of ARV and MV

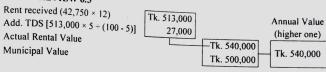
= higher of 120,000 and 135,000 = Tk. 135,000

Repair and Maintenance expense: (a) $AV \times 25\% = 135,000 \times 25\%$

(b) AV \times 30% = 135,000 \times 30% = Tk. 40,500 *Vacancy Allowance:* $(135,000 \div 12) \times 2 = 22,500$

Actual repair expense amount is irrelevant.

SELF - REVIEW 6.5



TRUE/EAT ..

"Ni

7

Income from Agriculture

"To tax and to please, no more than to love and to be wise, is not given to men."

— Edmund Burke

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

CLO 7.1 understand the concept of agricultural income recognize relevant admissible expenses

CLO 7.3 apply taxability on different agricultural income

CLO 7.4 differentiate agricultural from non-agricultural income

CLO 7.5 analyze agricultural losses

CLO 7.6 list non-assessable agricultural income

CLO 7.7 recall rebate on allowable investments

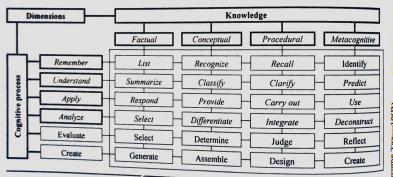
CLO 7.8 compute tax liability on agricultural income

KEY TERMS

Agricultural income,
Partly agricultural income,
Set off and carry forward
of losses,
expenses,
Non-assessable income,
Allowable depreciation,
Production costs, Borga

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and the first four levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



INTRODUCTION

According to section 40 of the Income Tax Act (ITA), 2023, agricultural income is the third head among the seven heads of income. It is the most important sector in the economy of Bangladesh, whereas the contribution of tax from this sector is very 1976. It has been brought under the tax net through the Finance Act 1976.

7.2 AGRICULTURE

CLO 7.1

7.1

7.3

CLO

7.3

7.4

FIRE DATE

Generally the term 'agriculture' refers to the production of goods through the growing of plants, animals and other life forms. It also refers to field/ground cultivation, which involves a combination of both basic and subsequent operations:

Basic operations in agriculture, in its primary sense denotes the cultivation of the field and is restricted to cultivation of the land in the strict sense, meaning thereby tilling of the land, sowing of the seeds, planting and similar operations on the land.

Subsequent operations are absolutely necessary for the purpose of effectively raising the produce and are to be performed after the produce spouts from the land, e.g. weeding, digging the soil around the growth, removal of undesirable undergrowth, and all operations which foster the growth and preservation of the produce not only from insects and pests but also from depredation from outside, tending, pruning, cutting, harvesting and rendering the produce fit for the market, would all be agricultural operations when taken in conjunction with the basic operations.

Crops or trees of spontaneous growth in forests or any other places, where there is no human effort, are not considered as agriculture. According to section 40(3) of the ITA, 2023, "Agriculture" includes any kind of horticulture, animal husbandry, natural use of land, poultry & fish farming, reptile farming, nursery, any kind of cultivation in land & water, production of egg & milk, production of timber, grass, plant, fruit, flower, honey, and seeds.

AGRICULTURAL INCOME: SCOPE AND CLASSIFICATION

According to section 40 of the ITA, 2023, 'agricultural income' can be classified into following three categories:

Regular Agricultural Income

any income derived from any agriculturally based activities of an assessee. Some of the examples are, sale of crops, sale of fish from fisheries farm etc.

Partly Agricultural Income

According to section 40(2) of the ITA, 2023, income derived from the sale of tea and rubber grown and manufactured by the seller shall be computed as follows:

- 40% of such income was derived from business, and
- 60% of such income was derived from agriculture.

Special Agricultural Income
Following two types of income shall be considered as agricultural income as per section 41 of ITA 2023.

Income derived from the Sale of Asset exclusively used for agricultural purposes.

The section 41 of ITA 2023. Income derived from the Sure of the Income derived from the Income asset exclusively used for agricultural purposes: For both of these cases, if A - B = Capital Gain Total Gain = A - C B - C = Agricultural Income A > BA - C = Agricultural IncomeTotal Gain = A - C A < B but A > CA - C = Allowable expenseTotal Loss = A - Cunder Agricultural Income A < C

Here, A = Sale proceeds/Insurance claim/Salvage/Compensation money received against the asset, B = acquisition price (i.e. original costs) of the asset, and C = Written Down Value of the asset (after deducting depreciation from cost at the rates specified in the 3^{rd} Schedule).

EXHIBIT

7.1

CLO

Examples of Capital Gain and Insurance Claim

Case 1: Mr. Bisu is the owner of a pump machine which was purchased for Tk. 40,000. To acquire an advanced technology in the irrigation plant he sold the pump machine for Tk. 42,000. At the time of sale, accumulated depreciation of the pump machine was Tk. 18,000. Agricultural income from the sale proceeds should be:

Tk. 40,000

Tk. 40,000

Cost of the Machine

Accumulated Depreciation (at the time of sale)

Written down value

Sale proceeds

42,000

The 20,000

Capital gain [Sale proceeds - Cost price]

Gain to be considered as agricultural income [Cost price - WDV]

18,000

Case 2: Mr. Tareq had a Tractor which was purchased for Tk. 40,000. Due to an accident, the tractor was destroyed and the insurance company has given a compensation of Tk. 30,000. At the time of destruction accumulated depreciation of the tractor was Tk. 15,000 and the scrap value is Tk. 1,000. Agricultural income from the insurance claim should be:

Cost of the machine
Cost of the machine
Cost of the machine
Accumulated Depreciation (at the time of sale)
Written down value
Compensation received
Scrap value
Amount to be considered as agricultural income [Total compensation & Salvage – WDV]

Tk. 40,000

1,000

Tk. 40,000

CHARACTERISTICS OF AGRICULTURAL INCOME Considering the ITA, 2023, definitions mentioned in dictionaries, and case decisions, the following characteristics are relevant to agricultural income: It must derive from any agricultural activities in Bangladesh. 7.1 The land for agricultural income to be assessed must be situated in Bangladesh. It must come from fundamental agricultural work like field cultivation or cultivation of the ground, in the sense of tilling of the land, sowing of the seeds, planting and similar basic and subsequent operations on the land. $\hfill \square$ Marketing of the agricultural products should be through ordinary procedure. The produce raised may have no market in its native form and may require to perform a process on the produce to make it marketable or saleable. The gain in the value of the produce by such process is also classified as income from agriculture. Income may come from gain on sale or discarded value of machineries or plant used for agricultural purpose; Some may partially be the agricultural income; e.g. sale of tea, rubber, etc. When the property is occupied by the cultivator or the recipient of agricultural income where any process as may be described agricultural, is carried therein, or in the immediate vicinity of agricultural land, and is used as a dwelling house, in connection with the land, any income from such house property is regarded as agricultural income. But non-agricultural income does not become agricultural by reason of only in direct connection with agricultural land [Premier Construction Co. V.C.LT. 1948 I.T.R. 380, 384]. ☐ No advance tax is payable on agricultural income up to Tk 800,000 [section 154]. SOME TYPICAL AGRICULTURAL INCOME Following sources are also considered as income under the head 'Income from CLO agriculture' in addition to above mentioned sources. These include income from: 7.1 ☐ Cattle rearing ☐ Sale of palm juice and Date juice; seeds and grass, if grown by human effort Agricultural cooperative society organized for farming and cattle rearing Land/assets used to process agricultural commodities to make them marketable The land leased for agricultural purposes ne bler Any crop sharing system generally known as adhi, barga or bhag Sale of herbal or medicinal plants SOME TYPICAL NON-AGRICULTURAL INCOME

☐ Income from ferry ghat, mooring terminal and fishing

spontaneously and without human effort

Income from cutting and selling of timber on contract

of all agraes and to extracting salt therefrom

Income from sale of produce that grow up in the agricultural land without

☐ Income from salt production by flooding the land with sea water and then

agricultural works e.g., forest trees, wild grass, fruit, and flowers grown



Mr. Ali is a farmer. He owns a tractor which was purchased for Tk. 80,000 and its Mr. Ali is a farmer. He owns a tructor which the structor on 15th August, 2023. He sold this tractor on 15th August for The
	Interest on arrear of rent for agricultural land
	Income from letting out vacant land not used for agricultural purpose
	Royalty/ground rent against lease of land for mining, potteries, quarries etc.
	Sale of soil used for brick field
	Income from sale of water used for irrigation
	Income from sale of forest trees, flowers, bamboo, wild grass
	Income from sale of water used for irrigation Income from sale of forest trees, flowers, bamboo, wild grass, reeds, or fruits
	Sale of stones from quarries
	Income from salary for working as an agricultural supervisor / manager
	Income from sale of crops which has been purchased from others for resale
	Income from poultry firm established separately for business purpose
	Income from fisheries; fish hunting, ship anchor etc.
	Income derived from butter and cheese making
	Income received as commission for working as middleman in agro products
	received by managing agent at a fixed percentage of
-	from a company having agricultural income.
	Interest received by an assessee against loan in the form of agricultural produce
	Dividend paid by a company out of its agricultural income
AD	OMISSIBLE EXPENSES
As	per section 42 of the ITA, 2023, in computing the taxable income under the head
'Ag	tricultural Income', some expenses are allowed to be deducted from the revenues
und	ler this head. For this section only that part of the expense will be allowable which
is r	elated to the agricultural income. Those allowable allowances and deductions are:
	land Development Those allowable allowances and deductions are:

- ☐ Land Development Tax: Any land development tax, tax or rate/cess paid in respect of the land used for agricultural purposes [section 42(1)(a)].
- ☐ Rent and maintenance expense: Any rent, charges for development & maintenance paid in respect of the land used for agricultural purposes, and cost of cultivation [section 42(1)(b)].
- ☐ Interest on Loan: Interest/profit payable on any loan for agricultural purposes.
- ☐ Repair, maintenance, transportation costs etc,: Any amount paid for maintaining agricultural implements and machinery in good condition, its repair and for providing upkeep of cattle for the purpose of cultivation, processing or transportation as aforesaid [section 42(1)(d)].
- ☐ Insurance Premium paid to affect any insurance against loss of, or damage to, the land/any crop to be raised from, or cattle to be reared on, the land [sec 42(1)(e)].

Expenses for preventive measures: Any sum paid for the protection of agricultural affairs from natural calamity or any other damages [sec 42(1)(f)]. Depreciation and Amortization: Depreciation expense relating to all the tangible assets and facilities and amortization expense relating to intangible assets from which agricultural income is derived is considered as allowable deduction [section 42(1)(f)]. Here the rate of depreciation is the rates provided in the Third Loss on sale/disability of cattle: In case of the death or permanent disability of the cattle, excess of the original cost of the cattle and the sale proceeds of the Foreign travel expense incurred as a member of any government sponsored agriculture related delegation team, not capital in nature; [section 42(1)(h)] ☐ Training expense incurred for training Bangladeshi citizens in any Board Any agriculture related scientific research expenditure or any expenditure solely and exclusively incurred for the development of the agricultural activities of the CORNELL DE VEVDESTROSSE ESTABLICA Allowable production cost where books of accounts in respect of such expenses are not maintained properly [Section 43] According to the section 43(1), if it is found that -☐ the assessee has not been maintaining proper books of accounts; □ where it is apparent to the DCT that the assessee has been following accounting method that failed to provide clear information regarding the assessee's income; ☐ the assessee failed to preserve the books of accounts or transaction details; or ☐ the preserved books of accounts or transaction details is not verifiable.

Under such circumstances, notwithstanding anything contained in any other section,

production costs will not be the amount claimed by the assessee rather it will be 60%

EXHIBIT

ed He

7.2

Depreciation rates [as per the Third Schedule]

	hei f	rie i nird Schedule]	
Building or structure made of brick, concrete, iron or similar types of materials Permanent fence Tank Agricultural fixtures made of wood or bamboo Tractors, oil engines and thin implements Fiver pumping equipment Steam engine Others (machinery, implements, plants and other assets)	7% 10% 10% 20% 10% 20%	Building/House made of Tin, Bamboo, dry stock, or similar types of materials Tube-well Irrigation well, channel, & Pipe Weighing Machine Truck, Delivery van, and other vehicles Non-motorized vehicle Factory machineries	10% 10% 10%

CLO 7.2



Mr. Ali is a farmer. He sold 100 maunds of rice @ 600 per maund. His production expenses are, cost of seeds and fertilizer Tk. 15,000; Labor costs Tk. 18,000; Transportation costs Tk. 3,000 and costs for ordinary processing Tk. 4,000. Calculate production costs for Mr. Ali, considering – (a) He did not maintain proper books of accounts relating to production costs (b) He maintain all books of accounts relating to production costs.

7.9

CLO

7.6

7.8

NON - ASSESSABLE AGRICULTURAL INCOME

Subject to some conditions, following agricultural incomes are non-assessable.

- Tk. 200,000 of agricultural income is non-assessable income if the assessee—(a) is a farmer in profession; (b) has no other income except (i) the said agricultural income from cultivation; (ii) interest or profit not exceeding Tk 20,000. [Sixth Schedule, Part I, Para 20].
- Any income of an indigenous hillman of hill districts of Rangamati, Bandarban and Khagrachari, which has been derived solely from economic activities undertaken within the said hill districts [Sixth Schedule, Part 1, Para 19].
- Full tax exemption for certain agro-based industries [SRO No. 164-AIN/IT/2021 dated 03/06/2021]: Companies with minimum Tk. 1 crore investment, registered under the companies Act 1994 and BIDA, established within July 01, 2021 to June, 30, 2030, engaged in fruit processing, vegetable processing, production of milk and dairy products, baby food production, and agricultural machineries production, will get full exemption from tax fulfilling certain conditions on such incomes for the first 10 years after the commercial operation.

Explanation: Total income of Mr. Hasan, a farmer in profession, during the income year is Tk. 650,000 (source of Tk. 630,000 from sale of crops and Tk. 20,000 from bank interest). In this case up to Tk. 200,000 is non-assessable and he is also eligible to enjoy the normal non-assessable limit of Tk. 350,000 (in case of, woman, elderly citizens of more than 65 years old Tk. 400,000, for third gender & disabled persons Tk. 475,000 and for gazette wounded freedom fighters Tk. 500,000) and his taxable total income will be Tk. 100,000 (650,000 – 200,000 – 350,000). In case of having income from bank interest or profit exceeding Tk. 20,000 or having income from other heads, such exemption of up to Tk. 200,000 will not be applicable.

Reduced Tax Rate for Certain Agricultural Incomes

Any income from production of pelleted poultry feed, production of pelleted feed for fish, shrimp & cattle, production of seeds, marketing of locally produced seeds, cattle farming, dairy farming, frog farming, horticulture, Silk tree plantation, Bee keeping, Silkworm firming, mushroom farming, floriculture is taxable at a reduced tax rate as follows [SRO No. 199-AIN/IT/2015 dated 01/07/2015]:

$\alpha_{O(1)}$	ì	Income	\dashv	On first Tk. 10 lac		On next Tk. 20 lac	On rest of the amount	
$\exists d_{1,H_{-r+1}}$	(1)	Tax rate	-	3%		/G 10%	15%	
1111	ata J	, , 1 -	•) '	•	r		

Reduced Rate for Poultry Firm, Poultry & fish hatchery, fisheries Farm Reduced Rate for Pountry Firm, Poultry & fish hatchery, fisheries Farm

Tax rate on Income from poultry firm, Poultry & fish hatchery, fisheries Farm [Sko

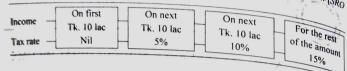


EXHIBIT.

Computation of Agricultural Income

Income 6					41 GI II	licome		7
Income from sources entioned under the head Income from		Admissible expenses		Gross income		Exemption (if applicable)	Taxa	
Income from agricultual	re is usu	ally generated	from sa	le of cron	s. income	from	inco	me

- ne from agriculture is usually generated from sale of crops, income from any land or building used for agricultural purposes, income from granting a right ['borga', 'adhi' or 'bhag'], income from tea garden or rubber garden [60%], revenue profit by sale of discarded or demolished agricultural machines, and other income relating to agriculture [e.g., sale of palm juice, rearing of cattle, etc.]
- Admissible expenses: In computing taxable income expenses that are allowed to deduct from agricultural income include land development tax, any other taxes [local taxes, cess etc], production costs, insurance premium, depreciation, interest on loan, losses due to discard or demolish of agricultural machineries,
- Production costs: If proper books of accounts related to production costs are not maintained, actual production costs are not admissible rather an expenditure equivalent to 60% of sale proceeds of the
- Exemption: In case of the assessee being a farmer in profession, having only agricultural income from cultivation and bank interest/profit not exceeding Tk. 20,000, the assessee is allowed to get an exemption of a maximum amount of Tk. 200,000 [Sixth Schedule, Part 1, Para 20].

SOLVED PRACTICAL CASES (SPC)



BOOKS OF ACCOUNTS FOR PRODUCTION COSTS

Agricultural income of Mr. Zahir for the current income year are from -

- sale of paddy 150 maunds @ Tk. 600 per maund;
- sale of jute 100 maunds @ Tk. 800 per maund;
- sale of rabi crops Tk. 65,000 and sale of tea Tk. 70,000;
- income from borga Tk. 20,000; and
- sale of sugarcane Tk. 30,000.

Related expenses are cultivation costs Tk. 159,000; land revenue paid Tk. 7,000; union parisad tax Tk. 4,400; crop insurance premium Tk. 5,600; allowable depreciation Tk. 3,000; and interest on borrowed fund Tk. 2,800. Compute taxable

income considering Mr. Zahir kept proper books of accounts. What is the answer if he

Assessee: Zahir		books of ac-	rigriculture
		Taccounts. Wha	is the au
1. Income from Agricultura	Assessment	books of accounts. Wha	answer if he
Income from Agriculture (sec Revenue from agricultural so Less: admissible expenses (w	tion 40)	2024 - 2025	* . P.
Lassiadaria il agricultural so	Urces (lnee-	
Less. admissible expenses (w	(Workings I)		Year: 2023 - 2024
Z. Illeonie Holli Business /	orkings 2)		
Sale of Tea $(70,000 \times 40\%)$	on 45)	Tk. 327,000	
Total taxable income		181,800	Tk. 145,200
Workings 1: Agricultural revenu			
Sale of paddy (150 × 600)	e		28,000
Sale of paddy (150 × 600)	Th	Workings 2: Admissible expe	Tk. 173,200
Sale of jute (100×800)	Tk. 90,000	Cultivasi	enses
Sale of rabi crops	80,000	Cultivation costs	
Sale of Tea (70,000 × 60%)	65,000	Land revenue paid	Tk. 159,000
Borga	42,000	Ollion parisad tox	7,000
Sale of sugarcane		Crop insurance pro-	4,400
	20,000	Allowable depreciation	5,600
Total agricultural revenue	30,000	Interest on borrowed fund	3,000
	Tk. 327,000	Total admin us	2,800
		Total admissible expenses	Tk. 181,800
16 14			10.101.800

If Mr. Zahir didn't maintain proper books of accounts, the only exception from the above calculation be for admissible expenses for the agricultural income. In this case, admissible expense will be 60% of the sales proceeds of the produce (except barga). i.e., 60% of (sale of Paddy Tk. 90,000 + Jute Tk. 80,000 + rabi crops Tk. 65,000 + tea Tk. 42,000 + sugarcane Tk. 30,000) = Total proceeds Tk. 307,000 i.e. Tk. 184,200;



EUC A

EXEMPTED INCOME, INTEREST ON LOAN, ALLOWABLE DEPRECIATION

Mr. Rahman is a farmer whose only income is from agriculture. Compute taxable income for Mr. Rahman for the current income year considering:

- sale of rice 150 maunds @ Tk. 710 per maund;
- sale of potato 300 maunds @ Tk. 150 per maund;
- income from Borga Tk. 40,000;
- lease of agricultural land Tk. 300,000.

Expenses relating these incomes were: cost of seeds and fertilizer Tk. 36,500; labor charge Tk. 40,000; maintenance costs of agricultural equipment Tk. 4,000; union parisad tax Tk. 5,800; crop insurance premium Tk. 8,200; depreciation on tractor @ 20% Tk. 14,000. The cost of seeds and fertilizer includes Tk. 1,500 spent against Borga. Mr. Rahman has borrowed fund from Krisi Unnayon Bank Tk. 40,000 @ 15% on 15th October of the income year. Allowable depreciation for tractor as per the 3rd Schedule of the ITA, 2023 is at the rate of 10%.

Mr. Rahman maintains books of accounts properly.

Bangladesh Income Tux		2025 Incom	_
	Assessment Year:	2024 - 2025 Income Yes	ar: 2023 - 2024
Assessee: Rahman	Control of the Contro		2024
Income from Agriculture (section Revenue from agricultural sources	(40	Tk. 491,500 104,250	-Tk. 387,250
Less: admissible expenses (workin Less: exemption (maximum Tk. 20	0,000) (note 4)		200.00
Total taxable income	,	Workings 2: Admissible expense	Tk. 187,250
Workings 1: Agricultural revenue Sale of rice (150 × 710)	Tk. 106.500 45,000	Production costs (note 1) Union parisad tax	Tk. 79,000
Sale of potato (300 × 150)	40,000	Crop insurance premium	5,800 8,200
Borga Lease of agricultural land	300,000	Allowable depreciation (note 2) Interest on borrowed fund (note 3	7,000
The state of the second paragraphs	Tk. 491,500	Total admissible expenses	Tk. 104.250

Notes: (1) Production costs: Cost of seeds and fertilizer Tk. 35,000 + Labor charge Tk. 40,000 + Maintenance costs: of agricultural equipment Tk. 4,000 = Total 79,000. No production costs are allowed for share from borga. So, cost of agricultural equipment 1.500 = 1.0.10 = 7.000 (3) Interest on borrowed fund = $(40.000 \times 15\%) \times 8.5 \div 12 = 4.250$. (4) As agriculture is the only source of income for Mr. Rahman, he is allowed to get Tk. 200,000 exemption in assessing his income.



Total agricultural revenue

INSURANCE COMPENSATION, CAPITAL GAIN, DISCARDED ASSETS

Income of Mr. Hossain for the current income year includes sale of jute 300 maunds @ Tk. 700 per maund; sale of rice 225 maunds @ Tk. 550 per maund; income from lease of agricultural land Tk. 48,000; income from ferry ghat Tk. 27,000; income from tea garden Tk. 80,000 and income from sale of honey Tk. 20,000. Expenses relating to these incomes were: cultivation costs Tk. 200,250; land revenue paid Tk. 9,000; union parisad tax Tk. 6,800; crop insurance premium Tk. 11,500; allowable depreciation Tk. 8,000; interest on mortgage loan Tk. 4,750; and maintenance costs for agricultural machineries Tk. 7,200. Mr. Hossain had a weighing machine which was purchased at Tk. 18,000. It has become obsolete and has been discarded at Tk. 9,500. At the time of sale, the written down value of the machine was Tk. 13,000. Moreover, he has also sold a tractor at a price of Tk. 42,000 (cost Tk. 40,000, accumulated depreciation Tk. 3,000). In addition to this he had a pump machine which was destroyed by fire and the insurance company compensated Tk. 10,000 (cost 20,000; accumulated depreciation Tk. 12,000, scrap Tk. 2,000). Compute taxable income for Mr. Hossain for the year.

_	sessee: Hossain	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
1.	Income from Agriculture	(section 40)	Income Tear: 2023 - 2023
	Revenue from agricultura Less: admissible expense	ll sources (workings 1)	Tk. 456,750 Tk. 205,750
2.	Income from Business (s	s (workings 2) ection 45)	251,000 Tk. 203,750

3. Capital gain (section 57) Capital gain from tractor (note 1) 4. Income from other sources (section 66) Income from ferry ghat Total taxable income Vorkings 1: Agricultural revenue	Income from tea garden (80,000 × 40%)	Chapter - 7 Income from Agriculture
Income from other sources (section 66) Income from ferry ghat Total taxable income 27,000 Tk. 266,750 Tk. 266,750 Tk. 210,000 Cultivation costs Tk. 200,250 Lease of agricultural land 48,000 Tag garden income (80,000 × 60%) 48,000 Sale of honey 20,000 Allowable depreciation 8,000 Insurance compensation (note 2) 4,000 Interest on mortgage loan 1,500 Interest on mortgage loan 4,750 Irrigation plant maintenance 1,500 Interest on mortgage loan 1	3. Capital gain (section 57)	32,000
Total taxable income27,000Workings 1: Agricultural revenueWorkings 2: Admissible expensesSale of Jute (300 \times 700)Tk. 210,000Cultivation costsTk. 200,250Sale of Rice (225 \times 550)123,750Land revenue paid9,000Lease of agricultural land48,000Union parisad tax6,800Tea garden income (80,000 \times 60%)48,000Crop insurance premium11,500Sale of honey20,000Allowable depreciation8,000Gain on sale of tractor (note 1)3,000Interest on mortgage loan4,750Insurance compensation (note 2)4,000Irrigation plant maintenance7,200Total agricultural revenueTk. 456,750Total admissible expensesTk. 251,000	Income from other sources (section 66)	
Sale of Jute (300 × 700) Tk. 210,000 Workings 2: Admissible expenses Sale of Rice (225 × 550) 123,750 Land revenue paid 9,000 Lease of agricultural land 48,000 Union parisad tax 6,800 Sale of honey 20,000 Allowable depreciation 8,000 Gain on sale of tractor (note 1) 3,000 Interest on mortgage loan 4,750 Insurance compensation (note 2) 4,000 Irrigation plant maintenance 7,200 Total agricultural revenue Tk. 456,750 Total admissible expenses Tk. 251,000	Total taxable income	
Insurance compensation (note 2) Total agricultural revenue 3,000 4,000 Interest on mortgage loan Irrigation plant maintenance Loss on discarded machine (note 3) Total admissible expenses 3,000 Interest on mortgage loan Irrigation plant maintenance Loss on discarded machine (note 3) Total admissible expenses Tk. 251,000	Sale of Jute (300 × 700) Tk. 210,000 Sale of Rice (225 × 550) 123,750 Lease of agricultural land 48,000 Tea garden income (80,000 × 60%) 48,000 Sale of honey 20,000	Cultivation costs Tk. 200,250 Land revenue paid 9,000 Union parisad tax 6,800 Crop insurance premium 11,500
Tk. 456,750 Total admissible expenses Tk. 251,000	Gain on sale of tractor (note 1) 3,000	Interest on mortgage loan 4,750 Irrigation plant maintenance 7,200
		Loss on discarded machine (note 3) 3,500

Notes: (1) Gain on sale of Tractor: Total gain = Sales price - WDV = Tk.42,000 - Tk. 37,000 = Tk. 5,000; Capital gain = Sales price - cost = Tk. 42,000 - Tk. 40,000 = Tk. 2,000 (to be recorded under the head capital gain); Revenue gain = Cost - WDV = Tk. 40,000 - Tk. 37,000 = Tk. 3,000 (to be recorded under the head Agricultural income) (2) Gain/loss on insurance compensation = [Compensation & scrap value - WDV] = [Tk. 12,000 - Tk. 8,000] = Tk. 4.000 (gain). (3) Losses due to discard of weighing machinery: WDV of the machine Tk. 13,000 less



Sugar Dat

18. Rengt

SALE OF FOREST TREE, SALE OF FISH FROM POND, RUBBER GARDEN

Compute taxable income of Mr. Masum from the given particulars related to the current income year: sale of rice 205 maunds @ Tk. 675 per maund; income from barga Tk. 78,000; income from salt production Tk. 15,000; income from rubber garden Tk. 92,000; sale of forest tree Tk. 20,000; and income from sale of fish from pond Tk. 35,000. He didn't maintain the books of accounts properly but claimed some expenses relating to these: production costs Tk. 85,000; land revenue paid Tk. 8,000; interest on loan Tk. 2,300; union parisad tax Tk. 4,275; purchase of weighing machine Tk. 70,000; repair and maintenance cost of pump machine Tk. 3,000; maintenance of irrigation plant Tk. 12,000; and donation to co-operative society Tk. 6,000.

Assessee: Masum Assessment Year: 2024 – 2	025 Income Year: 2023 – 2024
Income from Agriculture (section 40)	
Revenue from agricultural sources (workings 1)	Tk. 271,575
Less: admissible expenses (workings 2)	116,145 Tk. 155,430
2. Income from Business (section 45)	> 1
Incom- 6 190 9' 1 (00 000 100()	36,800
S	50,000

3. Income from other sources (section 66) Income from salt production Income from sale of forest tree Income from sale of fish from pond

Tk. 15,000 20,000 70,000 35,000 Tk. 262,230

Total taxable income

Workings 1: Agricultural revenue Sale of Rice (205 × 675)	Tk.	138.375 78,000
a Laure		55,200
	Tk.	271,575
I Otal agricultura		

Workings 2: Admissible expenses 60% of MP (193,575 × 60%) Tk. 116,145

(except barga income)

Total admissible expenses



PRODUCTION COSTS, PARTLY AGRICULTURAL INCOME

Considering the following particulars of Mr. Adib Ahsan, compute his taxable income for the current income year: sale of rice 250 maunds @ Tk. 600 per maund; sale of jute 100 maunds @ Tk. 400 per maund; sale of rabi crops Tk. 50,000; yearly lease of agricultural land Tk. 20,000; sale of forest timber and bamboo Tk. 6,000; income from tea garden Tk. 30,000; income from rubber garden Tk. 40,000; income from cattle rearing Tk. 3,000; income from sale of palm and date juice Tk. 6,000 and income from sale of honey Tk. 5,000.

Expenses for cultivation were as follows:	Rice and Rabi crops	Jute
Cost of seeds and fertilizer	Tk. 25,000	Tk. 7,000
	5,000	2,000
Labor charge	3,000	1:000
Cost of pump machine hire	, 5,	1,000
Repair expense of agricultural equipment	500	5 m //
	2,000	/50 0
Transportation cost	, _,	and the same of th

When the income tax authority asked for books of accounts regarding cultivation expenses. Mr. Adib failed to provide proper records for Jute. Other related expenses for the year were: union parisad tax Tk. 2,000; land revenue Tk. 1,000; crop insurance premium Tk. 2,500; allowable depreciation Tk. 5,000; and maintenance cost of irrigation plant Tk. 4,000. He had a pump machine which was purchased at Tk. 25,000. It has become obsolete and has been discarded at Tk. 12,000. The written down value after charging depreciation as per ITA, 2023 prescribed rate estimated at Tk. 10,000. He has taken agricultural loan of Tk. 50,000 @ 8% interest per annum.

Ass	sessee: Adib Ahsan	Assessment Year: 2024 – 2025	Income Year: 2023 - 2024
1.	Income from Agriculture Revenue from agricultura Less: admissible expenses	l sources (workings 1)	Tk. 366,000Tk. 288,000

24 Income from Business (section 45) Income from tea garden (60,000 × 40%) Income from rubber garden (90,000 × 40%)

Income from other sources (section 66) Sale of forest timber and bamboo

Total taxable income

Tk. 24,000 60,000 36,000

Chapter - 7 Income from Agriculture

6,000 Tk. 354,000

vorkings	1:	Agricultural	revenue

Workings 1: Agricultural revenue		Workings 2: Admissible expens	es	
Sale of rice (250 × 600) Sale of Jute (100 × 400) Sale of rabi crops Yearly lease of agricultural land Tea garden income (60,000 × 60%) Rubber garden income (90,000 × 60%) Income from cattle rearing Sale of Palm and Date juice Income from sale of honey Gain on discarded equipment (note 1)	Tk. 150,000 40,000 50,000 20,000 36,000 54,000 3,000 6,000 5,000 2,000	Production expenses (note 2)	Tk.	59,500 2,000 1,000 2,500 5,000 4,000
otal agricultural revenue	Tk. 366,000	Total admissible expenses	Tk.	78,000
enter in the second		50x 2 6 2 5 x x 0	٠,	1.15.55

Notes: (1) Gain from sale of obsolete equipment = sales - written down value = 12,000 - 10,000 = Tk. 2,000, (2) Production costs for rice & Rabi Crops: Cost of seeds & Fertilizer Tk. 25,000 + Labor charge Tk. 5,000 + Cost of nump machine hire Tk. 3,000 + Repair expanses of agricultural equip. Tk. 500 + transportation cost Tk. 2,000 = Total Tk. 35,500; and Production Costs for jute (40,000 × 60%) = Tk. 24,000. Total production costs = (35,500 + 24 000) = Tk. 59,500. Since accounts have not been maintained properly regarding jute cultivation, 60% of the sale proceeds have been considered as allowable production cost for jute.



ELDERLY CITIZEN, SALE OF TOBACCO & SUGAR CANE, AGRICULTURE IS THE ONLY INCOME SOURCE, CAPITAL ASSET REPLACEMENT, TAX COMPUTATION

Compute taxable income and tax liability of Mr. Jamir Ali, a 71-year-old farmer of Bhola District, from the following particulars related to the current income year assuming that his only source of income is agriculture. His incomes are from sale of paddy 200 maunds @ Tk. 400 per maund; sale of jute 150 maunds @ Tk. 600 per maund; rabi crops (sales Tk. 60,000 and self-consumption Tk. 10,000); income from agricultural cooperative society which was organized for farming Tk. 25,000; income from lease of agricultural land Tk. 200,000; income from Barga Tk. 225,000; income from sale of herbal or medicinal plants Tk. 30,000; income from lease of storehouse used for storing crops Tk. 20,000; income from sale of tobacco to BATC Tk. 20,000; income from sale of sugarcane to Government Sugar mill Tk. 35,000.

Mr. Jamir Ali had a pump machine which was purchased for Tk. 40,000. To acquire an advance technology in the irrigation plant he has sold the pump machine for Tk. 40,000. Accumulated depreciation of the pump machine was Tk. 18,000 at the time of

Tax exempted moveme

20,000

30,000

Tk 79,000

disposal. He also had a weighing machine which was purchased at Tk. 18,000, It has disposal. He also had a weight and the insurance company has given compensation of the written down value of the machine with become obsolete due to a recument of the written down value of the machine was Tk. 13.000 Tk 8.500. At the time of fire, the written down value of the machine was Tk. 13.000 Tk. 1,000. He has also used to the machine was Tk. 13.000 Tk. 1,000 Tk. Tk 8,500. At the time of this strap value amounted to Tk. 1,000. He has also earned interest and after the fire the scrap value amounted to Tk. 1,000. from Bank deposets Tk. 13 500 (net of TDS Tk. 1,500).

He maintained the books of accounts properly and claimed the following expenses He maintained the use of the same paid Tk. 8,000, interest on loan Tk. 2,560 and revenue paid Tk. 8,000, interest on loan Tk. 2,560 union purished tax Tk 4,000 purchase of tractor Tk 70,000, maintenance of union parisad tax 15. (2.000, allowable depreciation 1k, 10,000, He spen Ik agricultural equipment 1k, 12.000, allowable depreciation 1k, 10,000, He spen Ik agreement equipment as a member of BD Government Sponsored agricultural 20 000 to travel in addition, during the year Mr. Jamir Ali also incurred different Delegation Team is superised, which includes family expenses Tk. 50,000; life insurance investments and expenses, which includes family expenses Tk. 50,000; life insurance premium (policy value Tk. 200,000) Tk. 25,000; purchase of unlisted company's share Tk. 25,000. Donation to government's zakat fund Tk. 20,000, Tk. 6,000 to a tocal club. Tk. 30,000 to Government approved charitable hospital; and purchase of gold Tk. 27,000

Assessor: Jumir Ah	Assessment Year: 2024 2025	Inco	me Yea	r: 202	3 - 2024
The second secon	The state of the s	5	ection	As	nount
Purticulars of Total Income	mar f è	***	40	Tk.	823,000
Income from agriculture (work)	A consensité		62		15,000
Income from other sources (Bar	ik mercs)			- mention and property	838,00
Total secome					200,00
Less Exempted				Tk	638,000
Total income for tax purposes				* 700	929(99)
Tax computation and Paymer	nt .			TL	18,800
Commo tess hardony tam netrate (we)	rkungs 4)		4		100
Lens Tax retrate (Schedule 5)		j	Ã	1	10,500
Net tax after tax refrate (a)			Į.		8,300
Minimum ter (5)			- 3	-	7,00
Net amount payable thigher of	(a) and (hi]			-	9,39
Add Surcharger Net Wealth	Environmental Surcharge				
Add laterest free or any other					4.40
Total Amount \$ 2, 200					8,300
Len Primers					
a Tarabadada et a	ected at source	Tk.	1,500		
& Advance tall gold			-		
s Adjunted of air tel	^t zd		-		
d. Amount paid with tip	urs Balancing figure		6,800		
Total amount paid and adjusted					8,300
Default on enders	,			Tk	-

Sch	edi	ile	5

particulars of investment allowance

4	Insurance premium; Own (max: 10% of a	
11	Insurance premium: Own (max: 10% of the policy, i.e., 10% of Tk. 200,000 Donation to Government Zakat fund	Amount
2.	points Charitals 14) Tk. 20,000
4	Donation to Charitable Hospital	ac ade

Total Investment Allowance

Tax Rebate

Tk. 200,000

A. 3% of total income* (Tk. 623,000 @ 3%) B. 15% on total investment allowance (Tk. 70,000 @ 15%) Tk. 18,690 Lower Tk. 1000,000 A. R. an	
C Tk. 1,000,000 Tk. 10,500 A, B, an	

excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable

Workings 1: Income from Agriculture

governue from agricultural sources (workings 2) Less: admissible expenses (workings 3)

Tk.	1,083,000	1	Th	922 000
À	260,000	1	1 %.	823,000

Tk. 1,000,000 | i.e., Tk 10,500

Work

			CONTRACT OF THE PROPERTY
kings 2: Agricultural revenue			Workings 3: Admissible expe
of Paddy (200 × 400)	Tk.	80,000	Cultivation costs
of Jute (150 × 600)			1 and source of 4

A CONTRACTOR OF THE PARTY OF TH	and the second second second second	workings 3: Admissible expenses	
Sale of Paddy (200 × 400)	Tk. 80,000	Cultivation costs	Tk. 200,000
Sale of Jute (150 + 600)	90,000	Land revenue paid	8,900
Sale of Rabi Crops	60,000	Interest on loan	2,500
Income from Co-operative Society	25,000		4,000
Lease revenue of agricultural land	200,000		12,000
Income from Barga	225,000	Depreciation	10,000
Sale of herbal or medicinal plants	30,000		20,000
Lease revenue from storehouse	20,000	Loss of weighing machine (note 3)	3,500
Sale of sobacco to BATC	200,000	<i>y</i>	2277
fale of sugarcane	135,000		
Gain from pump machine (note 3)	18,000		
fotal agricultural revenue	Tk. 10,83,000	Total admissible expenses	Tk. 260,000

Workings A. Computation of grass tax liability

	On first Tk.	On next Tk.	On next Tk.	Total (Tk.)
	400,000	100,960	138,000	6,38,000
ate	@ 0%	@ 5%	@ 10%	•
ax		5,000	13,800	18,800

Notes: (1) Since agricultural is the only income source, up to Tk. 260,660 is exempted from tax. (2) Cost of the machine in Tk. 40,000 with accumulated depreciation (at the time of sale) Tk. 18,000; therefore, written down value is Tk. 22,000; saile proceed is Tk. 49,000; So, total gain (sale proceeds ~ written down value) i.e., Tk. 18,000; Sapital gain is nil as sale proceeds is less than cost price. Gain to be considered as agricultural income = (total gain capital gain) i.e., Tk. 18,000. (3) Losses due to discard of weighing machinery: written down value Tk. 13,000 the scrap value Tk. 1,000 less compensation received Tk. 8.5% = Tk. 3,500, (4) As the assessee is more than 65 Has old, the minimum non-assessable limit is Tk. 400,000. (5) self-consumption of rabs crops is not taxable.



TAX COMPUTATION, REVENUE SUBJECT TO REDUCED TAX RATE

TAX COMPUTATION, REVENUE as liability of Mr. Taleb Ali, from for the current income year considering his income from the given sources: sale of paddy 1,000 maunds @ Tk. 400 per maund;

- sale of jute 500 maunds @ Tk. 600 per maund;
- sale of rabi crops Tk. 160,000;
- income from lease of agricultural land Tk. 100,000;
- income from frog farming Tk. 125,000;
- income from mushroom farming Tk. 130,000;
- income from sale of tea Tk. 200,000; and
- income from dairy farming Tk. 120,000.

He maintained the books of accounts properly and claimed expenses for production He maintained the books of vicinity and Tk. 8,000; interest on loan Tk. 2,500; inhion costs Tk. 200,000; land revenue paid Tk. 8,000; and maintained costs Tk. 200,000; failed techniques of tractor Tk. 70,000; and maintenance of equipment parisad tax Tk. 4,000; purchase of tractor Tk. 70,000; and maintenance of equipment parisad tax 1K. 4,000, pursuant tax 1K. 12,000. In addition, during the year Mr. Taleb Ali also incurred investments and Tk. 12,000. If adultion, describing the separate state of sour fording firm The transfer and expenses, which include family expenses Tk. 50,000; life Insurance premium (policy expenses, which include the property of the pr to prime minister's higher education fund Tk. 20,000; purchase of 5 year Bangladesh Savings Certificate Tk. 100,000; donation to Government Zakat fund Tk. 30,000; and purchase of gold Tk. 27,000.

Assessee: Taleb Ali Ass	sessment Year: 2024 – 2025	Income Yea	r: 2023 - 2024
Assessee. Taleo 7 iii	A TOP OF THE STATE	Section	Amount
		40	Tk. 1,228,500
Income from agriculture (workings 1)	000 × 400()	45.	90,000
Income from business: sale of tea (200),000 × 40%)	` 78 d	771 1 200 oo
Total income	1 1 2 1	t:ri	Tk. 1,308,500
Tax computation and Payment	(c. 17)	(r statil i turnaq	Million Compagnics
Gross tax before tax rebate (workings	5)	al catomic	Tk. 68,775
Less: Tax rebate (Schedule 5)	2 As 2 12 12 12	exacts for sectionidate	25,500
Net tax after tax rebate (a)	, 10: 40: 24:	and the manifold	43,275
Minimum tax (b)	e e e e e e e e e e e e e e e e e e e	21 200 (0) 000 00\$	5,000
Net amount payable [higher of (a) an	d (b)]	ed of	43,275
Add: Surcharges -		, t n	graz/
Net Wealth Surcharge		Tk.	- /6:
Environmental Surcharge			gr 12 (1, 29)61
Add Intonet Co.	1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -	the state of	
Add: Interest, fine, or any other paym	ent under ITA, 2023	Contract the off	CCC 21 - ML.
Total Amount Payable		on the suprainable of	43,275
Less: Payments –		i't by I a S	
 Tax deducted or collected a 	at source		
b. Advance tax paid		The second second second	

c. Adjustment of tax refund	Chapter - 7	Income fr	om Agriculture
c. Adjustment of tax refund d. Amount paid with return [Balancing Figure]		-01-34	- K.
[0ta -	total services _	43,275	5
peficit or excess	_		Tk. 43,275
Tax exempted income			Tk.
Same of the the state of the st			Tk.

Schedule 5

Ser Both

Particulars of investment allowance Insurance premium: Own (max: 10% of the policy, i.e., 10% of Tk. 200,000) Donation to prime minister's higher education 6	A	mount
2. Donation to prime minister's higher education fund	Tk.	20,000
3. Purchase of 5-year Bangladesh Savings Continued		20,000
4. Donation to Government Zakat fund		100,000
- Investment Allowance		30,000
Total investment Anovance	Tk.	170,000

Tax Rebate

A: 3% of total income*	(Tk 022 500+ 5		1.1 Bill 1	
B) 15% on total investment allowance	(Tk. 933,500* @ 3%)	Tk.	28,005	Lower of
C. Tk. 1,000,000	(TK. 170,000 @ 15%)	Tk.	25,500	A, B, and C,
* archiding income on which a tou		Tk. 1.	,000,000	i.e., Tk. 25,500

^{*} excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable, i.e., Tk. 1.308,500 - Tk. 375,000 = Tk. 933,500

Workings 1: Income from Agriculture

Revenue from agricultural sources (Workings 2) Add: Agricultural revenue subject to reduced tax rates (Workings 3) Less: admissible expenses (Workings 4)	Tk. 1,080,000 375,000 (226,500)
---	---------------------------------------

Workings 2: Agricultural revenue			Workings A. Adminates	27.5
Sale of Paddy (1,000 × 400) Sale of Jute (500 × 600) Sale of Rabi Crops Lease revenue of agricultural land Sale of tea (200,000 × 60%) Total agricultural revenue	Tk.	400,000 300,000 160,000 100,000 120,000 1,080,000	- 10 day ion costs	Tk. 200,000 8,000 2,500 4,000
G/i0 07				

Workings 3: Revenue of	reduce	d rate	Workings 5: Gross tax	Mar 1827		- K. 220,500
Frog farming	Tk.	125,000	On first	Tk. 350,000	@ 0%	Tk. Nil
Mushroom farming		130,000	On next	100,000		
Dairy farming		120,000	On next	400,000	_	-,
			On next		@ 15%	
Amount.			On income subject to			*
ms. 302 - 31			reduced tax rate	375,000	@ 3%	11,250
Total 1	Tk.	375,000	Total	Tk. 1,308,500	, , ,	Tk. 68,775
				24.79	12 M. 14	1 1



AGRICULTURAL INCOME SUBJECT TO REDUCED TAX RATE

Mr. Hatem Ali, a new entrepreneur, started his agricultural firming activities after passing from Bangladesh Agricultural University. He is very aware of the reduced rate of taxes for some typical nature of agricultural income and involved himself into those activities. During the current income year his agricultural incomes were: sale of the sactivities. During the current income year his agricultural incomes were: sale of the pelleted poultry feed Tk. 200,000; sale of locally produced seeds Tk. 200,000; income from been from cattle farming Tk. 200,000; from Dairy farming Tk. 100,000; income from been from the period of accounts properly and claimed Tk. 500,000 as admissible expenses. In addition, he has invested Tk. 200,000 in Dhaka Stock Exchange during the year through secondary market shares. Compute taxable income and tax liability of Mr. Hatem Ali,

Assessment Yea	ar: 2024 -	2025	Inc	ome Yea	ar: 2023 - 2024
Assessee: Hatem Ali Assessment 1 cz	41.202.				
Particulars of Total Income Income from agriculture (Workings 1) Total income				Section 40	Amount Tk. 1,200,000 Tk. 1,200,000
Tax computation and Payment Gross tax before tax rebate (workings 2) Less: Tax rebate (Schedule 5)		:			Tk. 50,000
Net tax after tax rebate (a)		- 5/42	e^A		50,000
Minimum tax (b)		axe for a	. 2 .		5,000
Net amount payable [higher of (a) and (b)]		12.7			50,000
Add: Surcharges -		34 4	Ťk.		Or Share
Net Wealth Surcharge			ıĸ.	_	
Environmental Surcharge		اقاده		31 21 21	at 1 Citrateca
Add: Interest, fine, or any other payment under ITA	A, 2023	Y.		* 145° 145° t	50,000
Less: Payments-			. 1	are t	I NO
a. Tax deducted or collected at source	1 !	1211	Tk.	- 15 ± ±1	o innoversity Outranta Jr
b. Advance tax paid		1 31		_	TO LONGLISH
c. Adjustment of tax refund	' /	1 / 1		-	11. 1 OO, EL 185 (
(Delenaing figu	ıre]	ares la		50,000	starking to Pe
Total amount paid and adjusted (a + b + c + d)	10,50	.107.10		A. Sataras	Tk. 50,000
Deficit or excess		00 S	2 '	171	Tk.
Tax exempted income		126		-4 te	Ťk.
					-
Schedule 5					
Particulars of investment allowance					Amount
Purchase of shares		230°	Ĩ		Tk. 200,000
Total Investment Allowance	Lin	. 10	N.		Tk. 200,000

c Tk. 1,000,0	al investment allowance	(Tk * @ 3%) (Tk. 200,000 @ 15%)	Tk Tk. 30,000	Lower of A, B, and C,
* excluding inc Tk zero as all t	ome on which a tax exem he income are subject to	ption or a reduced rate or	Tk. 1,000,000	i.e., Tk is applicable, i.e.,
Workings 1: In Sale of pelleted Sale of seeds Income from ca Income from da Income from be Sale of flowers Less: Admissibl	poultry feed ttle farming diry farming de keeping	Tk. 200,000 200,000 200,000 100,000 200,000 800,000	Tk. 1.700,000 500,000	— Tk. 1,200,000
Rate Tax	Tk. 30,000	@ 10% 20,000		50,000
KEY POIN		le means income		
non'	period is also an ag Gain on sale of agricultural incom If compensation exclusively used income if compen	the means income generate one by granting a right to cricultural income. The machineries exclusively the whereas loss from such money received against for agricultural purpose, sation money cannot except down value less the scr	sale is an admissible to demolished made then the compense end the difference and the dif	ral purpose is an expense.

rubber, 60% of the income is considered as income from agriculture, and rest of

□ When no books of account are maintained, 60% of the sales proceeds of agricultural produce will be allowed as the admissible expenses.
 □ Depreciation is an admissible expense as per the rates prescribed in 3rd schedule.
 □ Income from sale of produce that grow up in the forest without agricultural

□ Royalty from mine lease, fish hunting, ship anchor are non-agricultural income.
□ When agriculture is the only source of income, an assessee is allowed to get an

the 40% as income from business.

works is not an agricultural income.

exemption of a maximum amount of Tk. 200,000.

Tax Rebate

- What expenses are admissible in the computation of agricultural income? DQ7.4 DQ7.5
- "Any income of a farmer is to be treated as agricultural income" do you agree? Explain. Discuss the provisions of set off and carry forward of losses of agricultural income. DQ7.6
- What is meant by non-assessable agricultural income? DQ7.7
- Write short note on: ☐ Partly agricultural income ☐ Production cost as an admissible expense DQ7.8 ☐ Non-agricultural income ☐ Depreciation allowance 1416

000 8 1 PROBLEM CASES (PC)

10 3/6/1 1

111 1 1

MUNA AL 11:11

136

DU 1 11

PC7.1: Compute taxable income for Mr. Moin considering (a) he did not keep (b) he kept necessary books of accounts. Particulars of income for Mr. Moin for the income year are: sale of paddy 80 maunds @ Tk. 500 per maund; sale of jute 120 maunds @ Tk. 800 per maund; production and self-consumption of vegetables Tk. 10,000; sale of tea Tk. 70,000; sale of rabi crops Tk. 87,000; and income from barga Tk. 10,000. Relevant expenses are: cost of seeds and fertilizer Tk. 35,000; cultivation costs Tk. 53,000; transportation costs Tk. 8,000; ordinary processing costs Tk. 9,000; land revenue paid Tk. 5,000; union parisad tax Tk. 5,400; crop insurance premium Tk. 10,600; allowable depreciation Tk. 4,000; and interest on loan Tk. 3,800.

PC7.2: Mr. Rusho Rahman is a farmer whose only income is from agriculture. Particulars of Mr. Rusho Rahman for the year are sale of rice 110 maunds @ Tk. 650 per maund; sale of potato 400 maunds @ Tk. 165 per maund; income from borga Tk. 20,000; income from lease of agricultural land Tk. 30,000; and income from poultry farm Tk. 42,000. Expenses relating to these incomes are cost of seeds and fertilizer Tk. 30,700; labor charge Tk. 39,200; maintenance costs of agricultural equipment Tk. 1,800; union parisad tax Tk. 3,900; crop insurance premium Tk. 6,800; and depreciation on tractor @ 20% Tk. 16,000. Mr. Rahman has borrowed Tk. 60,000 noming only from Grameen Bank at an interest rate of 14% per annum as on January 01 of the 100.8 At 15 th an current income year. Allowable depreciation for tractor as per third schedule of ITA, 2023 is at the rate of 10%. Compute taxable income for Mr. Rusho Rahman.

41 h 25 h 25 h

blo cho PC7.3: Particulars of Mr. Rahman for the year are: sale of jule 250 maunds @ Tk. he square to the 650 per maund; sale of rice 112 maunds @ Tk. 580 per maund; lease revenue from og ((() a) v agricultural land Tk: 28,000; income from: ferry ghat Tk. 5,000, tea garden Tk. Market a ville to p 80,000; rubber garden Tk. 100,000, and sale of honey Tk. 4,500. Expenses relating to and light the second incomes are: land revenue paid Tk. 8,500; crop insurance premium Tk. 8,300; heled allowable depreciation Tk. 4,250; interest on mortgage loan Tk. 3,750; maintenance rights to self-costs for irrigation plant Tk. 6;200; and union parisad tax Tk. 5,450. Mr. Rahman had the second obsolete and the second obsolete and cauq a ban of has been discarded at Tk. 3,500. At the time of sale, the written down value of the re zente. 4) . . mmachine was 5,200. When asking for proper books of accounts Mr. Rahman failed to The to an it are to provide any supporting documents for production costs although he claimed Tk. 1001.81 41 cf. w 195,720 as production costs Compute taxable income for the year.

PC7.4: Compute taxable income of Mr. Ali from the given particulars; sale of rice PC7.4: Compute taxable maund; income from lease of agricultural land Tk. 18,000; income from rubber 183 maunds @ Tk. 030 per interest Tk. 18,000; income from rubber garden Tk. 28,000; income from salt production Tk. 18,000; and income from salt production Tk. 32,000; and 32,000 28,000; income from sale of forest tree Tk. 32,000; and income from sale of fish from sale of forest tree Tk. 32,000; income from sale of fish from 67,000; income from sair of forthese incomes are: cultivation costs Tk. 67,000; land pond Tk. 24,000. Expenses for these incomes are: cultivation costs Tk. 67,000; land pond Tk. 24,000. Expenses on loan Tk. 2,250; union parisad tax Tk. 3,300; revenue paid Tk. 7,200; interest on loan Tk. 2,250; union parisad tax Tk. 3,300. purchase of tractor Tk. 85,000; development of a new irrigation channel Tk. 8,000; purchase of tractor Tk. 85,000; development of a new irrigation channel Tk. 8,000; and donation to co-operative society Tk. 4,000.

PC7.5: Compute taxable income of Mr. Enamul for the current income year considering his income from: sale of rice 155 maunds @ Tk. 650 per maund; sale of jute 210 maunds @ Tk. 385 per maund; sale of rabi crops Tk. 87,500; yearly lease of agricultural land Tk. 25,500; sale of bamboo Tk. 3,200; income from tea garden Tk. 70,000; income from rubber garden Tk. 65,000; income from cattle rearing Tk. 4,400. income from sale of Palm Juice Tk. 8,700; and income from sale of honey Tk. 4,300

Expenses for cultivation are as follows:	Rice and Rabi crops	Jule
Cost of seeds and fertilizer	Tk. 28,000	Tk. 6,000
Labor charge	15,000	5,000
Cost of pump machine hire	2,700	1,300
Repair expense of agri equipments	1,200	-,500
Transportation expenses	1,800	700

When the income tax authority ask for books of accounts regarding cultivation expenses. Mr. Enamul failed to provide proper records for rice and rabi crops. His other expenses are: union parisad tax Tk. 3,500; land revenue Tk. 1,200; cron insurance premium Tk. 4,500; allowable depreciation Tk. 4,800; maintenance cost of irrigation plant Tk. 3,750. He had a pump machine which was purchased at Tk. 32,000. It has become obsolete and has been discarded at Tk. 8,000. The written down value after charging depreciation at ITO prescribed rate estimated at Tk. 8:500. He has taken agricultural loan Tk. 45,000 @ 8% interest per annum.

PC7.6: Compute taxable income and tax liability of Mr. Athar Ali, a 67 years old farmer, from the particulars related to the current income year as follows: sale of paddy 200 maunds @ Tk. 400 per maund; sale of jute 150 maunds @ Tk. 600 per maund; sale of rabi crops Tk. 60,000; income from agricultural co-operative society which was organized for farming Tk. 25,000; income from lease of agricultural land Tk. 100,000; income from Barga Tk. 125,000; income from sale of herbal or medicinal plants Tk. 30,000; income from lease of storehouse used for storing crops Tk. 20,000; income from sale of flower Tk. 20,000; income from sale of sugar cane Tk. 35,000; and income from sale of tea Tk. 20,000. Mr. Athar Ali had a pump machine which was purchased for Tk. 40,000. To acquire an advance technology in the irrigation plant he has sold the pump machine for Tk. 42,000. At the time of sale the amount of accumulated depreciation of the pump machine was Tk. 18,000.

Moreover, he also had a weighing machine which was purchased at Tk. 18,000. It has become obsolete and has been discarded at Tk. 9,500. At the time of sale the written down value of the machine was Tk. 13,000. He didn't maintain the books of accounts properly. Expenses claimed by him are: cultivation costs Tk. 200,000; land revenue paid Tk. 8,000; interest on loan Tk. 2,500; union parisad tax Tk. 4,000; installation of irrigation plant Tk. 70,000; maintenance of the irrigation plant Tk. 12,000. In addition, during the year Mr. Athar Ali also incurred the investments and expenses for: family expenses Tk. 50,000; life insurance premium (policy value Tk. 300,000) Tk. 25,000; purchase of debenture from primary market Tk. 25,000; donation to Lab Aid Hospital Tk. 20,000; donation to a local mosque Tk. 6,000; donation to Government Zakat fund Tk. 30,000; and purchase of furniture Tk. 27,000.

PC7.7: Mr. Farhad, a new entrepreneur, started his agricultural firming activities after passing from Bangladesh Agricultural University. He is very aware of the reduced rate of taxes for some typical nature of agricultural income and involved himself into those activities. During the current income year his agricultural incomes were: from poultry firm Tk. 30,00,000; from hatchery Tk. 25,00,000. He maintained the books of accounts properly and claimed Tk. 25,00,000 as admissible expenses. During the year, he has invested Tk. 10,00,000 in 5-year Bangladesh Savings Certificate. Compute taxable income and tax liability of Mr. Farhad.

ANSWERS

1	2	3	4	CE QU	_		<u>, </u>					TRU	E/F	ALSE
а	h				0	7	8	9	10	. 1	2	3	4	-
_			<u>u</u>	<u>a</u>	b	b	Ь	b	d	F	F	T	F	

SELF - REVIEW 7.1

Cost of the machine Written down value

: Tk. 80,000

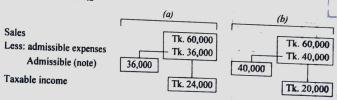
Sales proceeds

: Tk. 55,000 : Tk. 63,000

Total gain

+ Tk. 8,000 (agricultural income as there is no capital gain)

SELF - REVIEW 7.2



Note: For (a) 60,000 X 60% = Tk. 36,000; for (b) cost of seeds Tk. 15,000 + labor cost Tk. 18,000 + transportation cost Tk. 3,000 + ordinary processing cost Tk. 4,000 = Tk. 40,000

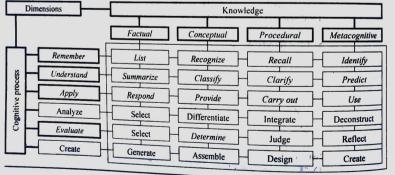
Income from Business

"The purpose of a tax cut is to leave more money where it belongs: in the hands of the working men and working women who earned it in the first place." - Bob Dole

Chapter Learning Objectives (CLOs)	KEY TERMS		
On completion of this chapter, you will be able to: CLO 8.1 understand the concept of business identify the scope of income from business determine inadmissible expenses CLO 8.4 recognize non-business income apply method of accounting list admissible expenses CLO 8.5 recall rebate on allowable investments CLO 8.8 compute tax liability on business income	Business, expenses, expenses, allowance, charge, business, income Admissible inadmissible Depreciation Balancing Speculation non-business		

Bloom's Taxonomy

This chapter covers (italic) the entire knowledge dimension and different components from four levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



INTRODUCTION

CLO

8.1

CLO

8.1

8.2

Income from business is the fourth head of income out of seven as per section 30 of Income Tax Act (ITA) 2023 This is the most complex income head and is of paramount importance to the tax authority as most of the taxes (in terms of volume) are collected from this head. Here, the authors have tried to simplify the complex issue for the readers to make it more informative and interesting.

MEANING OF BUSINESS 8.2

ITA 2023 has modified the definition of business which has increased the scope of business significantly. In line with section 2(70), business is defined to include \neg any trade, commerce or production of goods;

undertaking any risk or endeavor in the nature of any trade, commerce or production of goods;

exchange of goods or services of any for profit or not-for-profit entity; any profession or vocation.

To regard an activity as a business, there must be a course of dealings, either actually continued or contemplated to be continued with a profit motive and not for sport or pleasure. It is not necessary that business should always consist of activities of trade, commerce, or manufacture. Even activities of rendering services to others fall within the four corners of the expression, business. It also covers every facet of an occupation carried on continuously and systematically by a person by the application of his labor and skill with a view to earning profit. Rather defining profession separately, ITA 2023 includes profession within the definition of business. Thus, the definition of business being an inclusive definition and not being exhaustive is indicative of extension and expansion and not restriction. and it comission to the

Meaning of Permanent Establishment

Permanent establishment, in relation to income from business, means a place or activity through which the business of a person is wholly or partly carried on, and aniens, tot 1912 includes -

applicate of management

(ii) a branch

(iii) an agency

(iv) an office

(v) a warehouse

(vi) a factory

qodanova (vii) a workshop

(viii) a farm or plantation

(ix) a mine, oil or gas well, quarry/any place of exploration, exploitation/extraction of pressed of the extended resources (x) a building site, a construction, assembly or installation project or supervisory activities in this regard (xi) the furnishing of services, including consultancy services, by a person through employees or other personnel engaged by to the person for such purpose, if activities of that nature continue (for the same or a connected project) in Bangladesh and (xii) any associated entity or person (hereinafter referred to as "Person A") that is commercially dependent on a non-resident person

and one section where the associated entity or Person A carries out any sale activity in Bangladesh by woled at I studen the non-resident person [section 2(92)].

250

EXHIBIT

Explanation of the term 'Business'

Business includes trade: The term 'trade' is defined by the Shorter Oxford English Dictionary as "the Business includes trade: The term 'trade' is defined by the Shorter Oxford English Dictionary as "the Business includes trade: The term 'trade' is defined by the Shorter Oxford English Dictionary as "the Business includes trade: The term 'trade' is defined by the Shorter Oxford English Dictionary as "the Business includes trade: The term 'trade' is defined by the Shorter Oxford English Dictionary as "the Business includes trade: The term 'trade' is defined by the Shorter Oxford English Dictionary as "the Business includes trade: The term 'trade' is defined by the Shorter Oxford English Dictionary as "the Business includes trade: The term 'trade' is defined by the Shorter Oxford English Dictionary as "the Business includes trade: The term 'trade' is defined by the Shorter Oxford English Dictionary as "the Business Includes trade oxide t

Business includes trade: The term trade is upined by the business includes trade: The term trade is upined on, especially when it is practiced as practice of some occupation, business or profession habitually carried on, especially when it is practiced as practice of some occupation, business or projession in the buying goods and selling them to make profit a means of livelihood or gain". In general, trade implies buying goods and selling them to make profit. a means of livelihood or gain". In general, trave improves with a view to sell them at profit, it is an ordinary Business includes commerce: If a person purchases goods with a view to sell them at profit, it is an ordinary

case of trade. But for commerce transactions are repeated on a large scale.

case of trade. But for commerce transactions are transactions are transactioned by the Oxford English Dictionary as

Business includes manufacture: The word "manufacture" is defined by the Oxford English Dictionary as Business includes manufacture: the word habor or mechanical power. Manufacture is a process which making of articles or materials by physical labor or mechanical power. Manufacture is a process which making of articles or materials by physical making of articles or materials by physical manufacture. In a manufacturing results in an alteration or change in goods which are subjected to such manufacturing results in an alteration or change in goods which are subjected to such manufacturing the manufacturing the subject of the final consumable products. process raw materials are purchased and processed to get the final consumable products.

process raw materials are purchased in the nature of trade, commerce or manufacture: The word Business includes unvertical sense implies an element of continuity. But the income-tax law does not require business in its commercial constitute business. Even a single and isolated transaction may fall within the any series of published. indication of trade. A transaction can be termed as an adventure in the nature of trade, commerce or manufacture if some elements of trade or business are present therein and not necessarily all elements be present A single plunge may be enough, provided it is clearly demonstrated that the plunge is made in the water of trade, like, research & development, new product development, etc.

GLO 8.2

8.4

SCOPE OF BUSINESS INCOME

The following income of an assessee shall be classified and computed under the head 'income from business'.

Under Section 45

Profits and gains of any business carried on, or	r deemed to be carried on, b	y the
assessee at any time during the income year;	the state of	

☐ Income derived from any trade or professional association or other association of like nature on account of specific services performed for its members;

☐ Fair Market Value of any benefit, whether convertible into money or not, arising as a consequence of any person's past, present or prospective future business relationship:

☐ Any management fee arising from any management company including Mudaraba management company;

Any money received from bank, insurance, and financial institutions due to lease of own or others' properties leased to another person;

☐ Realized gain from exchange of foreign currency subject to Third Schedule;

Any income received during the income year from a discontinued business.

Under Section 46

☐ Sale of Asset used for Business: If assets used for the business, whose income is calculated, has been sold, gain on sale of such assets shall be computed as below:

कार का कार का मा and the sales proceed is higher than cost of acquisition: 2.8 here will be no equital

Income from Capital Gain = Sale Proceeds – Cost of Acquisition

Income from Business = Cost of Acquisition - Written Down Value If sales proceed is not higher than cost of acquisition, but higher than written down value: Income from Business = Sale Proceeds – Written Down Value

 $^{\prime\prime}$ $^{\prime\prime}$ However, if any asset listed in Third Schedule has been sold during the income year where sale proceeds result less than written down value, the difference between written down value and sale proceeds will be deductible [U/s 50(2)].

Compensation Received against Asset used for Business: If any assets used for the business, whose income is calculated, has been demolished, destroyed or discarded and insurance compensation received which exceeds the written down value of such assets, income will be calculated as below:

• If compensation received is higher than cost of acquisition:

Capital Gain = Compensation received - Cost of Acquisition

Income from Business = Cost of Acquisition - Written Down Value

If compensation received is not higher than cost of acquisition, but higher than written down value (WDV):

When compensation received > WDV, the difference between compensation received and WDV will be reported as business income.

When compensation received < WDV, the difference between WDV and compensation received will be reported as allowable deductions under section 49 while calculating income from business. Score of Busines : "Morno

Income from transfer of Export Quota: If any exporter transfers his export NOW NOW and quota (in part or full) to any person, the proportionate export value against such quota transferred will be counted as income from business.

☐ Benefits Received against Trading Liability: If trading liability is taken and considered while calculating taxable income of any taxpayer in any income year, and if such trading liability generates any benefit; the monetary value of such benefit should be considered as the income in the year of such receipt. If any trading liability (part or full) has not been paid in three (3) years after the deduction made in this respect, such amount be deemed to be the income during payonts to raising the year immediately following the expiry of the said three (3) years. However, samment and more ben'any such trading liability which has been considered as income and ultimately a must not exceed Ik paid in a subsequent year, it should be excluded while calculating income of the year when it is actually paid.

Recovery of Loss, Bad Debt or Expenses: If any loss, bad debt or expenses has been deducted while calculating income under this head and recovered such loss. COURT A THE BOWL bad debt or expenses in a subsequent year, the taxpayer should consider such benefit as income during the income year when such benefit is received.

ax = theory	is submitted under se	noti-
Shortage of Opening assessment), any shorta year with reference to under the head 'income	Capital: If return is submitted under se age of opening capital within five years which return is submitted, shall be consi from business'.	from the income dered as income
Ulluci		

☐ Interest on Bad or Doubtful Debt of Classified Loan: While calculating taxable Interest on Bad or Double Level income or profit on bad or doubtful debi income of financial institutions will be considered as taxable income in the on Bangladesh Bank classifier and loss account or in the year of actual receipt whichever comes earlier.

Under Section 47

Taxable income of few businesses will be computed as per the following schedules:

Insurance Business Fourth Schedule:

Natural Gas, Extraction and Exploration of Mineral Oil or Other Fifth Schedule:

Minerals

Under Section 48

If any person runs a speculation business, such business shall be considered as separate and independent from other businesses run by the person.

EXHIBIT

Scope of Business Income

Case 1: Suppose, a machine was sold at Tk. 80,000 with a written down value of Tk. 50,000 and was originally purchased at Tk. 70,000. In this case, the total gain on sale will be Tk. 30,000 (sale proceeds minus WDV). Now. can this gain be shown as balancing charge? As per rule, balancing charge must not exceed Tk. 20,000 (original cost minus WDV).

Hence, total gain of Tk. 30,000 will be distributed as Tk. 10,000 as capital gain (Sale Proceeds minus Original Cost) and Tk. 20,000 as balancing charge (Sale Proceeds minus WDV). So balancing charge is the revenue gain that can be shown as income under this head. Whereas, capital gain will be shown under the head of capital gain. In this case, if the machine was sold less than the original cost, say, at Tk. 60,000, there will be no capital gain. The balancing charge in this case would be Tk. 10,000 (Tk. 60,000 - Tk. 50,000) only.

Case 2: Suppose a machine with Tk. 70,000 original cost and Tk. 50,000 written down value is totally destroyed by fire against which there is an active insurance policy. If Tk. 60,000 can be recovered from the insurance company, then balancing charge will be Tk. 10,000 (Recoverable value minus WDV) which must not exceed Tk. 20,000 (Original Cost minus WDV).

In such case, there is no chance of having capital gain. But the maximum amount of balancing charge will fürther be reduced, if any money can be recovered through scraping. If, in this situation, the burnt machine can be sold in the market as a scrap value of Tk. 2,000, maximum amount for balancing charge will be Tk. 18,000 (Original Cost minus WDV minus Scrap Value)

ALLOWABLE DEDUCTIONS/ADMISSIBLE EXPENSES 8.4

CLO 8.3 8.6

ITA 2023 provides various expenses which are allowable for deductions for each independent and separate businesses subject to the provisions of the act. Allowable deductions are listed with reference to different sections and category as provided in

117	1 2023 below:
Ger	Raw materials, stores, purchases of goods for business or use in business, and Duties and town.
in more in benning	Raw materials [Under Section 49]
first i meome from	inventory write as purchases of goods for husiness or use in husiness and
П	Duties and to
_	Duties and taxes, municipal taxes, local taxes, land development taxes, ground government fee paid for business and development taxes, ground
SED BOH.	rent and government fee paid for business purpose which is not paid with reference to ITA 2023 or Gift Tax Act 1990; Rents, development and maintenance expenses parely a solution of the sol
a se three to⊓.	Rents devel
William Company	Rents, development and maintenance expenses payable against the land and yard used for business purpose;
and the second	ased for business purpose;
and the state of t	Any expenses, welfare expenses or wages paid which is considered as salary expenses under ITA 2023:
gan ga asa sa ga sa . Tanaka ilin asa .maa	expenses under ITA 2023; Repair and maintainers.
(1) in a 2 2 to 12 a	Repair and maintenance expenses;
and the second that	Insurance premium
	To the und fuel of a city of the second of t
_	ransportation of goods classing and c
	sales commission, prokerage, discount and warment
in (quipes i an uma	Transportation and travelling expenses
The party water training t	Treatized losses die to the evolune of c
SHE HARRY ROLLS (THE	Entry and other tees haid to any olubion and the
Company of Man attent	Expenses relating to foreign tour participated as a second
4	sponsored by the government
adid domestill timy	Royalty, technical services fees and head office expenses
	Funds paid to Participation Fund, Welfare Fund established under section
	234(1)(b) of Labor Act 2006, and Workers Welfare Foundation Fund established
	under section 14 of Bangladesh Workers Welfare Foundation Act 2006 which
and for depreciation	shouldn't be more than 5% of disclosed net business profit
ni normali saven in	Any other expenses incurred solely and completely for business,
od llive some will be	remains agrid the first of the second of the
dilidiyila znonaSpe	ecial Deductions [Under Section 50, 51, 52 & 53]
of bosu allul torAsi	per the provisions mentioned in Third Schedule, the following allowances will be
/lotanoitroportg &ded	luctibless him gonowolls malatory do nate to the mean and the

Chapter - 8 Income from Business or Profession Depreciation is not allowable on any asset if such asset is not reported as asset used for business in the return submitted by the taxpayer for the income year. Total depreciation charged against any asset should not be more than the cost of the asset. Depreciation on leased asset should be charged against lease rental for that asset. According to the 3rd Schedule of ITA, 2023 two bases are used for depreciation:

Normal Depreciation Allowance	- 13
Initial Depreciation Allowance	Base: Written Down Value
Accelerated Depreciation Allowance	Base: Original Cost

- Written Down Value: WDV of an asset will be calculated as: [Para 8(6), 3rd Sch]:
 - If the asset is acquired in an income year, the written down value will be the original cost of the asset as reduced by any allowable initial allowance.
 - If the asset was acquired at an earlier period, the written down value will be the actual cost thereof to the assessee as reduced by the aggregate of the allowances for depreciation allowed so far.
- Actual Costs: With reference to Para 3, Third Schedule, the rules for calculating cost of acquisition of assets are explained below:
 - In the case of motor vehicles, the actual cost to the assessee shall be deemed not to exceed thirty lacs taka if the motor vehicle is used as passenger vehicles plying for hire other than serving students of educational institutions, teachers and staffs of the taxpayer's organization.
 - Any grant, subsidy, rebate or commission and the value of any assistance received by an assessee from government or any other authorities or persons and any deduction or allowance admissible (other than loan with or without interest) shall be excluded to compute actual cost.
 - Where the asset is acquired as a used one from its previous owner, the cost deemed not to exceed the fair market value as on the acquisition date.
- When the acquisition of asset is connected with loan taken in foreign currency or foreign currency is involved anyway, the following issues need to be adjusted before calculating cost of acquisition: WID FELL WILL TO STATE
 - Add losses for exchange rate or expenses for hedging of exchange rate
 - Excluding gains due to change in exchange rate

SOMETHING A . Types of Depreciation Allowance

and of the There are three different types of depreciation allowance (ITA 3rd Schedule), namely: normal, initial, and accelerated depreciation allowances.

Normal Depreciation Allowance (as per Para 4, 3rd Schedule)

The allowance for normal depreciation shall be computed @ specified in Para 4, 3rd Carprofiler and Schedule that may be amended by the Board, from time to time, by notification in the de belgmofficial gazette, for the assessee's assets and used only for business purpose.

. 90 -

30.27

Va3 11.

collists. In Line mild of the state of the first

at not will teach appropria

@ 30% On WDV

@ 10% On WDV

@ 20% on WDV

@ 25% on WDV

@ 10% on WDV

EXHIBIT

Rates of Normal Depreciation

[Source: Para 4, Third Schedule, IT Act, 2023]

Asset Category 1 - Building: General building @ 5% on WDV and Factory building @10% on WDV Asset Category 2 - Office equipment @ 10% on WDV

Asset Category 3 - Furniture and fittings @ 10% on WDV Asset Category 3 - Furniture and fittings @ 10% on WDV. However, special rate is applicable for Asset Category 4 - Machinery and plant: general rate is 10% on WDV. However, special rate is applicable for

Battery run apparatus and rechargeable batteries

Other Physical Assets not mentioned in the schedule

Computer hardware including monitor, printer & related items

Motor vehicles of all sorts not plying for hire;

Motor vehicles of all sorts plying for hire.

	the followings specific assets.		
•	Ships Ocean going ships (new) Ocean going ships (second hand), less than 10 years age at the time of purchase Ocean going ships (second hand), 10 years or more age at the time of purchase Ocean going ships (second hand), 10 years or more age at the time of purchase Orean going ships (second hand), 10 years or more age at the time of purchase	@ 10% @ 20% @ 25%	on WDV on WDV on WDV
:	Professional and reference books Aircraft, aero-engines and aerial photographic apparatus; Moulds used to manufacture of glass or plastic goods or concrete pipe.	@ 30%	On WDV
•	Mineral oil concerns Below ground installations; Above ground installation portable boilers/drilling tools/well head tanks and rigs.	@ 100% @ 25%	on WDV on WDV
•	Physical infrastructure undertaking Bridge/Road/ Fly over Pavement runway, taxiway, apron, tarmac Boarding bridge Communication, Navigation aid and other equipment	@ 2% @ 2.5% @ 10% @ 5%	on WDV on WDV on WDV on WDV
•	Others X-Ray and electro-therapeutic apparatus and accessories thereto; Machinery used in the x-raduction and exhibition of cinematographic films;	@ 20%	on WDV

Initial Depreciation Allowance (as per Para 5, 3rd Schedule)

Where any building has been newly constructed or any machinery or plant has been used in Bangladesh for the first time, an amount by way of initial depreciation allowance in respect of the year of construction or installation or the year in which such building, machinery or plant is used by the assessee for the first time for the purpose of his business or the year in which commercial production is commenced, whichever is the later, shall be allowed at the following rates of the cost thereof to the assessee.

: 10% For building For machinery or plant except ships or motor vehicles plying for hire

Initial depreciation allowance will not be applicable for (a) such motor vehicles not plying for hire and (b) such machineries and plant already used in Bangladesh.

H. Accelerated Depreciation Allowance [as per Para 6, 3rd Schedule] Accelerated depreciation means charging depreciation at a higher rate from the very beginning. It was first introduced in 1982 for 5 years thereafter, and then extended for further years and through different Finance Acts. As per the provision of Third Schedule (Para 6) of Income Tax Act 2023, accelerated depreciation will be allowed for the first three years from the year of commercial production at following rates on cost of the asset subject to other terms and conditions as specified:

Second Income Year : 50% Third Income Year : 30% : 20%

Terms and Conditions

- $\hfill\Box$ It is allowed for first three years from the start of commercial production.
- ☐ Ownership and management of the industry is management by a body corporate which is created by an act whose head office is situated in Bangladesh. It is management by a company as defined by Company Act 1994 whose registered
- office is situated in Bangladesh and whose authorized and paid up capital is at least 20 lacs taka at the time of starting the commercial production. $\hfill \square$ Industry owns a TIN, keeps records independently and separately and as the rules
- specified in ITA 2023, and submits return following the rules of ITA 2023 $\hfill \Box$ Before the end of six months from the date of starting commercial production, the industry must apply to the Board in specified form and method to use accelerated depreciation allowance.
- ☐ The application shall mention that this asset has not received any tax exemption under this act, and it will not apply to Board for such exemption in future.
- Assets enjoining accelerated depreciation allowance in any income year, it is not entitled to enjoy normal or initial depreciation allowance under any other provisions of this act.

Limitation in Respect of Depreciation Allowance (Para 7, 3rd Schedule)

Total of depreciation allowance, in no case, will be higher than the original cost. If the full amount of depreciation allowance cannot be charged due to insufficient profit, it may be set off against profits from any other business; if the allowance is not fully absorbed, it can further be set off from the income of other heads in the same income year. If any asset is sold or transferred in an income year by the taxpayer, depreciation allowance cannot be claimed against such asset in the year the asset is transferred or sold [Para 7, Third Schedule].

Even if some amount is left unabsorbed, it may be carried forward to the following years for setting off against profits. In case of insufficient profits, the allowance should be charged, as it will turn the result as losses that can be carried forward for six consecutive years only whereas unabsorbed depreciation allowance can be carried forward for an indefinite time till the full amount is absorbed.

8.6 CLO 8.3 8.6

AMORTIZATION ALLOWANCE [SEC 50(1) & 3RD SCH.] AMORTIZATION ALL AMORTIZATION Allowance on specified items Third Schedule, Part 2 prescribes that amortization allowance on specified items. should be calculated following the straight-line method.

License Fees

License fee's

License fee is spectrum assignment fees paid by a cellular mobile phone operator, or License fee is spectrum assignment of the company engaged in providing specialized any other license fee paid by any other company engaged in providing specialized any other license lee paid by where a resident services, if such license is integral to the operation of the company. Where a resident services. If such increase any license fees for obtaining a permission from any authority approved by government to run a business for two or more years, the assessee shall be allowed a deduction of an amount proportionate to such years and such deduction shall continue till the last year of the period for which the license was granted

Example: A Cellular Mobile Phone Company operating in Bangladesh has paid The 344 crore as license fee to BTRC for 15 years covering a period from 20/12/2005 to 20/12/2020. The company can deduct an amount proportionate to such years (1/15 of 344 crore = Tk. 22,26,66,666) as amortization expense of license fees for every year to the assessment year in which the license period will expire.

Preliminary Expenses

Preliminary expenses refer to all such expenses incurred during the years before the starting of commercial production of any business which is not allowable under any provision of Third Schedule. Such expenses include expenses incurred for feasibility study, production of model or prototype, and expenses for trial production which should not be more than the actual cost. And if it is allowed before, it will not be allowed again. Amortization rate for preliminary expenses is 20%,

Research and Development Expenses

Research and development mean systematic, investigative and experimental study which -a) includes innovative and technological risk, b) is science and technology related, c) is directed to acquire new knowledge, or d) is directed to study the development of production or elements, machineries, goods, agricultural produce, or process. It shall be amortize @ 10% and shall not include the following –

_	- and shall not niclude the following –
Ц	Elements, machineries or quality control of
	Elements, machineries, or quality control of product or routine testing;
	and me melle of and humanity and and a
	documents of creation and devolution and devolution
П	Market research or sale promotion
	Market research or sale promotion, routine data collection, efficiency survey of management study;
_	Licinetis, machineries, products, process or routing
	Elements, machineries, products, process or routine change in production method Elements, machineries, products, process
	method or style change; process or minor cosmetic change in production
	Creation and I change in production
_	Creation or development of trademark or goodwill.
	or goodwill.

Computer Software and Application

Amortization rate for usable computer software and application will be allowable as

☐ Any software or application prepared in Bangladesh - @ 20%

☐ Any software or application prepared outside Bangladesh - @ 10%

Disallowed Expenses

If any expenses claimed by the taxpayer as deduction during tax liability calculation under this act are disallowed due to capital expenditure, such expenditure of taxpayer will be allowed for deduction as amortization allowance in following years @ 10%.

CLO

8.3

8.6

BAD DEBT EXPENSES [SECTION 51]

Bad debt expenses will be allowable for deduction under section 51 of ITA 2023 as

For Organizations other than Banks and Financial Institutions

Bad debt or a part thereof will be allowable for deduction if it is decided as uncollectible and written-off in the books of accounts.

Logical actions have been taken to collect bad debt prior to write-off.

Bad debt or a part thereof has been considered as income in any year while

For Banks and Financial Institutions

 \square Bad debt or a part thereof will be allowable for deduction if it is decided as uncollectible as per International Accounting Standards and Banks and Financial Institutions in operation in Bangladesh and written-off in the books of accounts

Logical actions have been taken to collect bad debt prior to write-off.

Bad debt or a part thereof has been considered as income in any year while

EXHIBIT

8.4

Rates of Amortization Allowance

[Source: Part 2, Third Schedule, IT Act, 2023]

License Fees Preliminary Expenses Research and Development Expenses Software and application prepared in Bangladesh Software and application prepared outside Bangladesh Any capital expenditure disallowed for deduction	Amortization Rate In proportion to Years 20% 10% 20% 10% 10% 10%
---	---

8.8

CLO 8.3 86

INTEREST EXPENSE OR PROFIT [SECTIONS 52 & 53] Interest paid or profit distributed on capital borrowed for the business will be Interest paid or profit distributed. However, if a part of the borrowed allowable for deductions as business expense. However, if a part of the borrowed allowable for deductions as business or the asset purchased by allowable for deductions as rustile the business or the asset purchased by borrowed capital has been used for outside the business or the asset purchased by borrowed capital has been used to communicate which is unrelated to borrower's business capital has been transferred somewhere which is unrelated to borrower's business. capital has been transferred sometimes, and the second some solutions in proportion to interest expense or distributed profit will be allowable for deductions in proportion to interest expense or distributed for business. Unto Tk. 15,00,000 of interest expense or distributed for business and the second solutions in proportion to the second solutions. interest expense or distinued for business. Upto Tk. 15,00,000 of interest expense, the portion of such assets used for business. Upto Tk. 15,00,000 of interest expenses. the portion of such asset there will be no specific requirements to comply with paid in any income your land of the person (other than bank and However, it interests to an associated company as defined in section 233 exceeds The 15.00 000 in an income year, it should follow the process specified by the board.

8.9

CLO 8.3 86

GENERAL CONDITIONS FOR ALLOWABLE DEDUCTIONS

If an expenses allowable for deduction in a particular income year under the provisions of ITA 2023 which is related to any asset fully of partly, no further deductions related to that particular asset will be allowable for deductions in the narticular income year. At the time of allowing any deductions under section 49, the commercial rationality of such expenses will be taken into consideration. The consideration of commercial rationality will be guided by --

- The expenses are incurred to generate business income.
- The expenses are related to the nature of fiscal management, and
- ☐ The expenses are logical under the related conditions.

Admissible Business Losses

It is obvious that business profit cannot be computed without allowing a business loss A trading loss of business is deductible in computing the profit earned by the business even though there is no specific provision in the Act for allowance thereof. Business losses can be allowed as deduction only if the following conditions are satisfied:

- Condition 1 Losses should be revenue in nature.
- Condition 2 Losses should be incurred during the income year.
- Condition 3 Losses should be incidental to the business.
- Condition 4 It should not be notional or fictitious.
- Condition 5 It should have been actually incurred and not anticipated to incur.

for BEET

Condition 6 An restriction under the Act against the deductibility of such loss.

Losses fisted below are incidental to business and are deductible in computing income chargeable under the head 'Income from Business'. It is worthy to note that, where an assessee seeks to deduct from his business profits certain losses, the onus of proving that such loss occurred, falls on him.

- Loss of stock-in-trade by enemy action, or arising under similar circumstances;
- Loss of stock-in-trade by fire and other natural calamities or due to an act of God;

m.	of the state of th
	Depreciation in funds kept in foreign country for autobase of the historian funds kept in foreign country for autobase of the kept in foreign country for autobase of the kept in torder.
П	Depreciation in funds kept in foreign country for purchase of stock-in-trade;
_	Loss for exchange rate Quality for purchase of stock-in-trade,
	Loss arising from sale of page 2011 toreign currency held on revenue account;
	Loss of cash and securities held in the regular course of business;
	Loss of cash and securities held in the regular course of business; after banking hours);
	Loss incurred on realization
	Loss incurred on realization of amount advanced in connection with business; Loss of security deposited for the purpose.
	Loss of security deposited for the purposes of acquisition of stock-in-trade;
	Loss caused due to breach of contract for delivery of goods by either party;
	due to torreiture of a demand
	medited due to their or burgland in Control
	Loss arising from negligence or dishonests of amplement
ш	and the old account of insolveners of break the state of
	J 1116 #3363566
	Loss incurred due to freezing of the stock-in-trade by enemy action;
	best incurred by a sugar manufacturing company by foregoing advance made to
_	growers who used to sell sugarcane crop exclusively to the company
	for non-recovery of advances given by the assessee-company languaged in
	the outliness of financing its subsidiaries) to its 100 percent subsidiary company:
	by a noiding company which has guaranteed a loan taken by it
	subsidiary company.

Other Admissible Expenses under Accounting Principles

Section 49 of ITA, 2023 deals with specific issues regarding allowable deductions where the practitioners may have chance to charge wrong amount as deductions if there is no specific provisions or guidelines over those issues. Apart from the issues discussed, there may be a lot of other expenses incurred by the assessee to continue his business. In those cases, general accounting principles will be applied to decide whether the expense is deductible or not. These expenses may also be discussed in terms of Residuary or Omnibus Clause. Some of such expenses are listed below:

_	- State of Sacrific Aperises are
	Revenue expenditure on publicity, campaign and advertisement
	and advertisement
4 1	Accounting and audit face

- Compensation to employees or directions due to dismissal, suspense;
- ☐ Compensation to an employee for injury or accident met while on duty;
- ☐ Litigation expenses/legal fees incurred in partnership for validating the contract or for protecting interest of the business;
- ☐ Employers' contribution to provident, gratuity and superannuation fund;
- Perquisites or leave allowance given to employees; Royalty paid against patent or copyright;
- ☐ Telephone and telegraph expenses;
- Incentives given to employees to motivate to produce or work more:

1	Production, transportation and transfer
	Renewal fees of licenses;
	Renewal fees of licenses; Expenses incurred in defending a case for damages for breach of contract; Expenses incurred in defending a case for damages for breach of contract;
	Expenses incurred in defending a case to during the sake of business or profession; Any sort of legal fees incurred for the sake of business or profession; Any sort of legal fees incurred for memorandum of association.
	Any sort of legal fees incurred to alter articles or memorandum of association; Expenditures incurred to alter articles or memorandum of association;
	for securing orders, getting tenant,
	incurred in defending the assessee's title over his assets,
	and the incurred for elliptoyees,
	of the directors for pushless purpose,
	O'A se amployage:
	Probarage paid for raising loan to finance business;
	a harage for agreement to obtain overgran facilities
	Commission paid to selling agents;
	c standardili
	Expenses to secure the termination of a disadvantageous trade liability etc.
ш	Expenses to secure the termination of the secure that the secure tha
IN	ADMISSIBLE EXPENSES [SECTION 55]
	per Sec 55 some expenses are disallowed for deductions explicitly as listed below:
	Any expenses or payments where rules mentioned in Part 7 (Tax Payment) is not
_	complied with [section 55(a)]
	Any payment of interest, salary, commission, or remuneration made by a firm or
_	an association of persons to any partner or any member [section 55(b)]
	Any payment by way of commission paid or discount made to its shareholder
_	director by a company [section 55(c)];
	So much of the expenditure by an assessee on the provision of perquisites (as
_	defined in section 32) or other benefits to any employee as exceeds Tk 1,000,000
	[section 55(d)]. The provision of this clause shall not be applicable to an
	employer where perquisites or other benefits were paid to, an employee in
	pursuance of any Government decision published in the official Gazette to
	implement the recommendation of a Wage Board constituted by the Government.
	Any payment of royalty, license fee, technical services fee, technical knowhow
	fee, technical assistance fee or fees for using intangible assets aggregately
	exceeding 10% of disclosed net business profit [section 55(e)]
П	Head office or intra-group expense, called by whatever name by a company not
	incorporated in Bangladesh under Company Act, 1994 exceeding 10% of
	disclosed net business profit [section 55(f)]
	Overseas traveling expense for business purpose exceeding 0.50% of the
	disclosed business turnover in statement of income. Provided that nothing of this
	clause shall apply to the overseas traveling expenses by an assessee engaged in
	providing any service to the Government. Further provided that additional

and marketing expenses of inventories:

amount paid in this category will be allowable for deduction if such expense can be supported by valid documents and commercial connection of such expense Entertainment expense exceeding the following rates: [section 55(h)]

Business income before deducting entertainment expense On the first Tk, 10 lakb	e rate
On the first Tk. 10 lakh On the balance Allowable 4%	

☐ Free sample distribution exceeding the following rates: [section 55(i)]

Business Turnover (taka) Pharmaceutical Industries	Food, Cosmetics and toiletries Industries	Other Industries
Up to 5 crore 2.00% 5 to 10 crore	1.00%	0.50%
Above 10 crore 1.00%	0.50%	0.25%

	Any sorts of promotional expenses (and the
	Any sorts of promotional expenses (excluding advertisements) exceeding 0.50% of the disclosed business turnover [section 55(j)]
_	and disclosed business turnover [section 55(j)]

☐ Any payment made to employees classified as income from salary paid through other than banking channel [section 55(k)]

☐ Any payment classified as income from rent paid through other than banking channel [section 55(1)]

☐ Any payment exceeding Tk. 500,000 paid by a person on account of purchase of raw materials otherwise than by bank transfer [section 55(m)]

Any payment by a person exceeding Tk. 50,000, otherwise than by bank transfer excluding (i) salary/remuneration made to any employee, (ii) any rent; (iii) any payment on account of purchase of raw materials [section 55(n)]

Any amount paid to a person who fails to show acknowledgement slip of return submission at the time payment is made, if he is required to show the slip under different items (25, 26, 28, 29, 36, 37, 42 and 43) of section 264(3) [Sect. 55(o)]

☐ Capital expenditure or taxpayer personal expenses [section 55(p)]

Any deduction or and deduction created due to any liability which is not clearly calculated [section 55(q)]

 \square Any such expenses which are not related to business activities [section 55(r)]

Any depreciation allowance claimed on right of use of any asset and interest expense as per International Financial Reporting Standard, however, rental expense, expenses for development and maintenance of any asset used for business purpose will be allowable for deduction [section 55(s)]

☐ Impairment loss of imaginary asset [section 55(t)]

Money transferred to any fund without getting approval through there are provisions of taking approval of such fund under ITA 2023 [section 55(u)]

CLO

8.3

8.6

]	If books of accounts are not maintained in prescribed method, which are not substantiated by valid documents [section 55(v)]	any	expenses	

Special Business Income

Special Business Income

Notwithstanding anything contained in any other sections of ITA 2023, all disallowed

Notwithstanding anything as favoration 5.5(d-i, q, s, t) will be considered. Notwithstanding anything contained as special expenses as listed in section 55 [except 55(d - j, q, s, t)] will be considered as special expenses as listed in section 55 [except 55(d - j, q, s, t)] will be considered as special expenses as listed in section is the section of the business income [sec 30(1)] Third Schedule against any income under this chapter and any allowances under Third Schedule against any income under this chapter and any allowances under visual business income or special items from 'income from classified as either 'special business income will be taxed at regular rates." classified as either special business' are not allowable and such income will be taxed at regular rates [sec 56(2)].

Inadmissible Business Losses

Following losses are not deductible from business income. ☐ Loss which is not incidental to trade, carried on by the assessee:

☐ Loss incurred due to damage, destruction, etc. of capital assets:

☐ Loss incurred due to sale of shares held as investment:

☐ Loss of advances made to set up new business that could not be started. Depreciation of funds kept in foreign currency for capital purposes:

Loss from non-recovery of tax paid by an agent on behalf of the non-resident

Anticipated future losses;

☐ Loss relating to any business/profession discontinued before the commencement of the income year;

☐ Loss arising as a result of seizure and confiscation of illegal stock-in-trade:

Loss incurred in the closing down of the business;

Loss caused by forfeiture of advance given for purchase of capital assets

☐ Violation of law is not a normal incident of trade and an expense incurred by way of penalty for infraction of laws is not deductible as business loss.

EXHIBIT

8.5

Example of Special Business Income

Case 1: For the current assessment year, ABC Ltd. reports Tk. 300,000 as net income in its profit and loss account. At the time of assessment, the amount of inadmissible expenses for the company is Tk. 800,000 (Tk. 500,000 is as per section 55). The company is enjoying a reduced corporate tax rate of 10%. Here, reduced tax on adjusted net income = 10% of Tk. 300,000 + Tk. 300,000 = Tk. 60,000 plus Regular tax on inadmissible expenses as per section 36 = 30% of Tk. 500,000 = Tk. 150,000. Thus, total tax liability of ABC Ltd. for assessment year 2024-25 is Tk. 210,000 (Tk. 60,000 + Tk. 150,000).

Case 2: For the current assessment year, XYZ Ltd. reports Tk. 800,000 as net loss in its profit and loss account it reports Tk. 8,000,000 as turnover. At the time of assessment, the amount of inadmissible expenses for the company becomes Tk. 700,000 (Tk. 400,000 is as per section 55). The company is enjoying a reduced corporate tax rate of 10%. Here, adjusted net loss = Tk. 800,000 - Tk. 300,000 = Tk. 400,000. However, minimum tax will be Tk. 8,000,000 × .6% = Tk. 48,000 plus Regular tax on inadmissible expenses as per section 55 = 30% of Tk. 400,000 = Tk. 120,000. Thus, total tax liability of XYZ Ltd. for the year is Tk. 168,000 (Tk. 48,000 + Tk. 120,000).



- (a) How much of the amount paid as perquisite is allowed for deduction? (b) What will be the allowable entertainment expenses if total income amounts to
- How much of the cost of free sample is admissible for a pharmaceutical industry

Other Inadmissible Expenses

The list of inadmissible expenses given in section 55 is not inclusive one. There are some other inadmissible expenses that may be discussed in terms of Residuary or Omnibus Clause. Some of such expenses are:

Pasi losses, i	1 case of changes of
Donale C	n case of change of business:

☐ Penalty, fine and damages paid in connection with infringement of law;

Payments made for acquisition of goodwill and payment to partner in any form;

Fees paid to obtain license to investigate and search minerals; Income tax and Provision for income tax;

Reserve for bad debt and reserve for discount;

Contribution to unrecognized provident fund;

Capitalized expenditure in any form and Cost of copy right, patent etc;

Preliminary expenses, underwriting commission, writing off share discount; Loss of speculative business and Loss on sale of capital asset;

Fund embezzlement after office hour and by stranger during office hour

Expenses for protecting against competition and incurred for issuing of shares;

New years' presentation to employees;

Legal expenses for income tax, alteration of capital, company dissolution;

Contingent liability and Payment of fine for violation of law;

Personal expenses of assessee and Contribution to political parties;

Excess remuneration paid to the employee who have relation with the partner;

Deviating from the regular practice, gratuity paid to a single employee.

STARTUP SANDBOX 8.11

8.1 8.2

Section 25 of the Income Tax Act 2023 mentions the special provisions for tax calculation. One such special provisions relates to the income made by a person from Start-up Sandbox which is detailed in Part 2 of Eighth Schedule. This section elaborates the provisions related to Start-up Sandbox. A startup shall be registered with the Board to receive any benefit of Start-up Sandbox.

Startup

Startup means a company with annual turnover not exceeding Taka 100 crore in any financial year. Such company -

is incorporated under Company Act 1994; and

□ works towards deployment/commercialization of new products/process or service driven by innovation, development and technology or intellectual property; and is not a resulting company of a scheme of amalgamation or demerger.

Here, innovation means the process of creating value by offering novel solution or Here, innovation means the process to any prevailing solution to any significant making a significant improvement to any prevailing solution to any significant problem or a set of problems.

Ineligibility of Registration

A startup shall not be eligible for registration, if it -☐ is incorporated prior to first day of July 2017; or

- is incorporated between first day of July 2017 and thirrtieth day of June 2023 and fails to get registration by the thirtieth day of June 2024; or
- is incorporated on or after July 1, 2023 and fails to get registration under this section by thirtieth June of every year following the year of its incorporation.

Benefits of Startup

Any startup registered under this act will enjoy following benefits.

- ☐ In determining income from business, sections 55 and 56 shall not be applicable for growth years.
- ☐ Where in any growth year, any loss is incurred by a startup and the loss cannot be wholly so set off, the amount of the loss not so set off shall be carried forward to the next assessment year and so on for maximum 9 successive assessment years.
- ☐ The rate of minimum tax as provided in sub-section (5) of section 163 for growth years of a startup shall be 0.1% (zero-point one percent).
- ☐ A startup shall have no reporting obligation other than submission of return under sections 166 and 177 if it provides permanent access to its system or books of accounts to the income tax authority.

For this section, growth years means -

- ☐ a period of three years (01.07.24 to 30.06.27) for companies incorporated between 01.07.17 and 30.06.23 and gets registration in NBR by 30.06.24,
- a period of five years that starts with first day of July of the year following the year of incorporation. It is applicable for companies incorporated on or after first day of July 2023 and gets registration by thirtieth June of every year following the year of its incorporation.

EXHIBIT

8.6

Startup Sandbox

Case 1: Company X is incorporated under Company Act 1994 on first day of January 1, 2021, whose annual turnover is Tk. 80,00,00,000. The company is neither a subsidiary of another company nor a resulting company of a scheme of amalgamation or demerger It works towards commercialization of new products driven by innovation. This company is eligible to get registered as a startup. It needs to be registered within thirtieth day of June 2023. And it can claim three years as growth years to claim the benefits of a startup.

Case 2: Company X has been registered on the first day of July 2023 and registered as a startup on the first day of January 2024. It will enjoy benefits of startup for a period of five years beginning from first day of July 2024.

CLO

8.5

METHOD OF ACCOUNTING

Income of a person shall be calculated applying accounting methods regularly subject to the rules specified in ITA, 2023. If any person believes that a change in the prevailing accounting method is needed, he may apply to Deputy Commissioner of Taxes (DCT) elaborating the change. On receipt of such an application, the DCT can approve required changes to calculate income of the person clearly. For any business, or class of business, or any other source, or any class of income, the Board may direct, by rules, the method of accounting and other standards. Without prejudice to the rules specified before, companies will maintain accounting records and prepare financial statements following International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) or relevant acts in effect in Bangladesh [section 72].

Submission of Audited Financial Statements [Section 73]

Any person other than individual and Hindu Undivided Family are required to submit return of an income year with a copy of statement of income and financial statements certified by chartered accountants specifying that -

- □ accounts are kept, and statements are prepared and submitted for the income year by following International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) or relevant acts in effect in Bangladesh;
- complies the standards set by the board from time to time; and audited as per International Standards on Auditing;

Provided that these conditions will not be applicable in case of -

- $\hfill \square$ any firm, trust, association of persons, foundation, society and co-operative society having gross receipts of not exceeding Tk. 5 crore; and
- any educational institution of primary and pre-primary education. [sec 73].

Accounting Method for Long Term Contract [Section 74]

Long term contract means any contract for production, establishment, or construction or providing accompanying services related to each contract which has not been finished within the same year of starting the contractual job, however, it excludes any contract which has been completed within six months from the date of the start of contractual jobs. Where a person maintains the required accounting method for calculating income classified as 'income from business', he will apply percentage of completion method to calculate income arising from long term contract in any income year. During any assessment year, the percentage of completion will be calculated comparing the budgeted expense as mentioned in the contract before the beginning of the assessment year and actual expenses with expected total contractual expenses. which was finalized at the beginning of contract period.

Incomplete Accounts [Section 75]

If any return, explanations or submitted documents, or mentioned claim during the activities of audit or tax calculation is not comparable, nothing of this act can restrain

the power of the income tax authority to disallow [section 75(1)]. The income of the Bangladesh Income Tax - Theory and Practice the power of the income tax authority to disallocate as the DCT may think fit where assessee shall be computed on such basis and manner as the DCT may think fit where

no acceptable method of accounting has been employed, or

no acceptable method of accounting has been accounted and completeness of the accounting the DCT is not satisfied with the accuracy and completeness of the accounting the DCT is not satisfied with the accounting records of the taxpayer are not prepared and maintained records or the accounting records of the taxpayer are not prepared and maintained

as per the provisions of section 73 [section 75(2)].

CLO

8.1

8.2

8.8

BALANCING ALLOWANCE/CHARGE AND CAPITAL GAIN BALANCING ALLOWAGE: If the written down value of any asset exceeds sales

| Balancing Allowance: If the written down value of any asset exceeds sales proceeds or disposed value, the difference will be treated as balancing allowance

and will be treated as loss though this is not allowed in case of furniture. and will be treated as loss inches difference between sale proceeds and written

☐ Balancing Charge: This is the difference between sale proceeds and written down value, provided that such difference does not exceed the difference between sale proceeds and actual costs. This is treated as revenue gain and shown

as income in the year when the asset is sold. as media in the year the difference between sale proceeds and actual cost. This ☐ Capital Gain: This is the difference between sale proceeds and actual cost. This

is shown as income under the head of Capital Gain.

CLO

8.8

SET OFF AND CARRY FORWARD OF LOSS

Section 70 of the ITA, 2023, provides required rule for set off and carry forward of losses from income from business and speculation business. As per the section, losses under these heads can only be adjusted against the income from the same heads.

☐ Loss from business is adjustable only against income from business

Loss of speculation business is adjustable only against income from speculation business

EXHIBIT

8.7

Balancing Allowance/Charge, Capital Gain

Case 1:	Sale proceeds: Tk. 40,00	WDV: Tk. 50,00	0
Cost: Tk. 80,000		cing Allowance Tk. 10,000	
ν	Balan	cing Anowunce The 10,000	
Case 2:	71- CO 00	0 WDV: Tk. 50,00	0
Cost: Tk. 80,000	Sale proceeds: Tk. 60,00		
Capita gain: Nil	Bald	ancing Charge Tk. 10,000	
Case 3:			
Cost: Tk. 80,000	Sale proceeds: Tk. 90,00	0 WDV: Tk. 60,00	10
Capita gain: Tk. 10,	000 Bale	ancing Charge Tk. 30,000	
		Maximum: Tk. 20,000	
Total gain: Tk. 30,000	Capita gain: Tk. 10,000	Balancing Charge Tk	20,000

Set-off and carry-forward of losses is not allowed for tax exempted income, income which is taxed at reduced rate, or income subject to minimum tax under sec. 163(2).

If the loss cannot be wholly so set off, the amount of the loss not so set off shall be carried forward to the next assessment year and so on for not more than six successive assessment years. If any person replaces another person (other than inheritance) in business or profession, the successor cannot set-off or carry forward any loss of the predecessor with his income.

For Speculation Business

Speculation business means business in which a contract for the purchase or sale of any commodity, including stocks and shares, is periodically or ultimately settled otherwise than by the actual delivery or transfer of the commodity or scripts, but does not include business in which

a contract in respect of raw materials or merchandise is entered into by a person for his manufacturing or mercantile business to guard against loss through future price fluctuations for the purpose of fulfilling his other contracts for the actual delivery of the goods to be manufactured or the merchandise to be sold by him;

a contract for stocks and shares is entered into by a dealer or investor therein to guard against loss in holdings of stocks and share through price fluctuations; and

a contract is entered into by a member of a forward market or a stock exchange in the course of any transaction in the nature of jobbing or arbitrage to guard against loss which may arise in the ordinary course of his business as such member; [section 2(57)]

According to section 70 of the ITA, 2023, where, for any assessment year, the result of any speculation business of the assessee is a loss, it shall be set off only against the income (if any), from any other speculation business carried on by him and assessable for that assessment year. But when such loss is not wholly so set off, the assessee can carry forward such unadjusted loss, to the next following assessment year and

☐ it shall be set off against the income (if any), from any speculation business carried on by him and assessable for that assessment year; and

if the loss cannot be wholly set off, the amount of unadjusted loss shall be earried forward to the next assessment year(s) but no more than six successive assessment years.

8 ...

CLO 8.1 8.8

TAX FREE INCOME UNDER SIXTH SCHEDULE

Following heads of income are excluded from taxable income and thus tax free.

- ☐ Income from gratuity from the government gratuity fund is exempted upto Tk. 2.50 crore (Para 5)
- ☐ Any income derived from following business by resident or non-resident Bangladesh for the period from the first day of July, 2020 to the thirtieth day of

the power of the income tax authority to disallow [section 75(1)]. The income of the Bangladesh Income Tax - Theory and Practice the power of the income tax authority to disantle the DCT may think fit where assessee shall be computed on such basis and manner as the DCT may think fit where no acceptable method of accounting has been employed, or no acceptable method of accounting mass occuracy and completeness of the accounting the DCT is not satisfied with the accuracy are not prepared and mass of the taxpaver are not prepared and mass of taxpaver are not prepared and the DCT is not satisfied with the accounting records of the taxpayer are not prepared and maintained records or the accounting records of the taxpayer are not prepared and maintained records or the accounting records of the taxpayer are not prepared and maintained records or the accounting records of the taxpayer are not prepared and maintained records or the accounting records of the taxpayer are not prepared and maintained records or the accounting records of the taxpayer are not prepared and maintained records or the accounting records of the taxpayer are not prepared and maintained records or the accounting records of the taxpayer are not prepared and maintained records or the accounting records of the taxpayer are not prepared and maintained records or the accounting records of the taxpayer are not prepared and maintained records or the accounting records of the taxpayer are not prepared and maintained records or the accounting records as per the provisions of section 73 [section 75(2)]. BALANCING ALLOWANCE/CHARGE AND CAPITAL GAIN BALANGINU ALLOWANCE: If the written down value of any asset exceeds sales

Balancing Allowance: If the written down value of any asset exceeds sales Balancing Allowance: If the wilder will be treated as balancing allowance proceeds or disposed value, the difference will be treated as balancing allowance 8.13 and will be treated as loss though this is not allowed in case of furniture. and will be treated as 1055 those difference between sale proceeds and written

Balancing Charge: This is the difference does not exceed the CLO down value, provided that such difference does not exceed the difference 8.1 down value, provided and actual costs. This is treated as revenue gain and shown between sale proceeds and actual costs. 8.2 8.8 as income in the year when the asset is sold. Capital Gain: This is the difference between sale proceeds and actual cost. This is shown as income under the head of Capital Gain. SET OFF AND CARRY FORWARD OF LOSS Section 70 of the ITA, 2023, provides required rule for set off and carry forward of losses from income from business and speculation business. As per the section, losses 8.14 under these heads can only be adjusted against the income from the same heads. CLO ☐ Loss from business is adjustable only against income from business ☐ Loss of speculation business is adjustable only against income from speculation business 8.7 EXHIBIT Balancing Allowance/Charge, Capital Gain WDV: Tk. 50,000 Case 1: Sale proceeds: Tk. 40,000 Cost: Tk. 80,000 Balancing Allowance Tk. 10,000 Case 2: WDV: Tk. 50,000 Sale proceeds: Tk. 60,000 Cost: Tk. 80,000 Balancing Charge Tk. 10,000

Sale proceeds: Tk. 90,000

Capita gain: Tk. 10,000

Set-off and carry forward of losses is not allowed for tax exempted income, income which is taxed at reduced rate, or income subject to minimum tax under sec. 163(2).

If the loss cannot be wholly so set off, the amount of the loss not so set off shall be carried forward to the next assessment year and so on for not more than six successive assessment years. If any person replaces another person (other than inheritance) in business or profession, the successor cannot set-off or carry forward any loss of the predecessor with his income.

For Speculation Business

Speculation business means business in which a contract for the purchase or sale of any commodity, including stocks and shares, is periodically or ultimately settled otherwise than by the actual delivery or transfer of the commodity or scripts, but does not include business in which -

- \square a contract in respect of raw materials or merchandise is entered into by a person for his manufacturing or mercantile business to guard against loss through future price fluctuations for the purpose of fulfilling his other contracts for the actual delivery of the goods to be manufactured or the merchandise to be sold by him; a contract for stocks and shares is entered into by a dealer or investor therein to
- guard against loss in holdings of stocks and share through price fluctuations; and a contract is entered into by a member of a forward market or a stock exchange in the course of any transaction in the nature of jobbing or arbitrage to guard against loss which may arise in the ordinary course of his business as such member; [section 2(57)]

According to section 70 of the ITA, 2023, where, for any assessment year, the result of any speculation business of the assessee is a loss, it shall be set off only against the income (if any), from any other speculation business carried on by him and assessable for that assessment year. But when such loss is not wholly so set off, the assessee can carry forward such unadjusted loss, to the next following assessment year and

- ☐ it shall be set off against the income (if any), from any speculation business carried on by him and assessable for that assessment year; and
- if the loss cannot be wholly set off, the amount of unadjusted loss shall be carried forward to the next assessment year(s) but no more than six successive assessment years.

13.

CLO 8.1 8.8

WDV: Tk. 60,000

Balancing Charge Tk. 20,000

Balancing Charge Tk. 30,000

Maximum: Tk. 20,000

TAX FREE INCOME UNDER SIXTH SCHEDULE Following heads of income are excluded from taxable income and thus tax free.

☐ Income from gratuity from the government gratuity fund is exempted upto Tk.

☐ Any income derived from following business by resident or non-resident 2.50 crore (Para 5) Bangladesh for the period from the first day of July, 2020 to the thirtieth day of

Case 3:

Cost: Tk. 80,000

Total gain: Tk. 30,000

Capita gain: Nil

Capita gain: Tk. 10,000

- Any income derived from the export of handicrafts for the period from the first day of July, 2020 to the thirtieth day of June, 2024 (Para 22)
- ☐ Income from any Small and Medium Enterprise (SMF) engaged in production of any goods and having an annual turnover of not more than taka 70 lakhs, if the enterprise is owned by women; otherwise not more than Tk 50 lakhs (Para 24)
- ☐ Any income, not being interest or dividend classifiable under the head 'Income from other sources', received by any educational institution, if it
 - is enlisted for Monthly Pay Order (MPO) of the Government:
 - follows the curriculum approved by the Government;
 - is governed by a body formed as per Government rules/regulations (Para 26)
- ☐ Any income, not being interest or dividend income, received by any public university or any professional institute formed under any law and run by professional body of Chartered Accountants or Cost and Management Accountants or Chartered Secretaries (Para 28).
- ☐ Income of an assessee donated in an income year by a crossed cheque or bank transfer to any national level institution engaged in the Research & Development (R&D) of agriculture, science, technology and industrial development (Para 2. part 2)

8.8

Specimen Form of Computing Taxable Income

Net Income as per Profit and Loss Account	Tk. XX
Add: Expenses that are not allowed (made debited in Profit and Loss account)	- g XX.
Add: Income under the head of Business and Profession that are not included earlier	1
Less: Expenses that are allowed (not debited in Profit and Loss account)	XX
Total Income	XX
Less: Income that are not from business or profession (already credited in Profit and Loss account)	XX
Taxable Income from business or profession	XX

SOLVED PRACTICAL CASES (SPC) Chapter - 8 Income from Business or Profession

- Which of the following expenses are admissible and to what extent?
- (a) Research expense Tk. 50,000 (Tk. 35,000 is capital in nature) for the period (b) Yearly subscription Tk 50,000 is paid to the Trade Body as a registered member
- (c) Loan of Tk, 12,000 is not recoverable and has actually been written off (d) Bad debt Tk. 10,000 has been recovered that was written off in the last year
- (e) Provision for doubtful debt is charged @ 10% on the amount of outstanding loan (f) Tk. 15,000 transferred to Workers Participation Fund which is established u/s 14 of Bangladesh Workers Welfare Foundation Act 2006. Net business income for
- (g) Depreciation charged on the Building owned by the business $\vec{a} | 0^{a_b}$ assuming a
- (h) Salary of Tk. 300,000 paid for the year without deducting tax at sources. (1) Payment for perquisites totals Tk. 600,000 for the year.
- (j) Income for the year is Tk. 1,446,000 charging entertainment expense Tk. 60,000

Provisions of admissible expenses for the above items are

- (a) Research expenditure of Tk. 15,000 (revenue in nature) will be admissible and amortization allowance will be claimed (a) 10% on remaining Tk. 35,000 (capital nature). [Section 50 & Third Schedule]
- (b) The expense is fully admissible provided that the trade organization falls within the meaning of the Trade Organizations Ordinance, 1961 [Section 49]
- (c) Fully admissible as already established as irrecoverable [Section 51]
- (d) The recovered amount will be considered as income for the year as it was charged as expense last year that is not an expense
- (e) This is not admissible provided that the company is not a banking company
- (f) Any amount transferred to Workers Participation Fund is admissible upto 5% of disclosed net business profit. Thus, it will be admissible upto Tk. 5.000 (5% of Tk. 100,000) and remaining Tk. 10,000 will be inadmissible. [Section 49]
- (g) Accounting depreciation and tax depreciation differs significantly. As per Para 4, 3rd Schedule of ITA, general building be depreciated $\mu^{(5)} \alpha$ on WDV and factory building be depreciated \$\tilde{w}\$10% on WDV. Thus, accounting depreciation will be added back to compute income before charging depreciation and then tax depreciation (using these rates) would be deducted as allowable deduction.
- (h) Salary is an inadmissible expense as failed to deduct TDS [section 55(a)]
- (i) Maximum expense that can be charged against perquisites is Tk. 1 000 000. So taka 600,000 can be shown as allowable perquisites. (Section 53(e))
- (j) Income before charging entertainment expenditure is Tk. 15 00 0000. Now, for the first Tk. 1,000,000 the rate for the expense is 4% and for the rest Tk. 500,000 the rate is 2%. So, the allowable entertainment expense would be up to Th. 50,000 (4% of Tk. 1,000.000 - 2% of Tk. 500.000) (section 55(ht)

INADMISSIBLE EXPENSES

State with reasons whether the following expenses are fully or partly admissible as deduction while computing income from business or profession:

- (a) Stock-in-trade was lost in fire Tk. 12,000 and was debited to P/L Account.
- (a) Stock-in-trade was lost in life to the state of the stock of the s of the assessee Tk. 10,000;
- (c) Interest paid to bank Tk. 15,000 for overdraft obtained in paying dividend-
- (d) Overseas traveling expense Tk. 50,000; The amount of disclosed business Overseas traveling expense turnover and disclosed net profit is Tk. 40,00,000 and Tk. 20,00,000 respectively.
- (e) Incentive bonus Tk. 3,00,000; The amount of disclosed turnover and disclosed
- (f) Salary paid to two employees @ Tk. 20,000 per month; one is paid in cash and
- (g) Salary expense of a firm is Tk. 100,000 of which Tk. 40,000 is paid to a partner;
- (g) Salary expense of a time.

 (h) Royalty paid Tk. 2,00,000; Disclosed turnover and disclosed net profit from business is Tk. 40 lac and Tk. 20 lac respectively; The business is in 4th year,
- (i) Installation cost of an IPS, Tk.50,000;
- (j) Penalty paid for violating income tax law Tk. 25,000.
- (k) Repair expense of the hired premises paid Tk. 50,000. The building is used both for office and residence at an equal proportion.
- (I) Insurance premium paid Tk. 25,000 of which Tk. 5,000 is owner's life insurance.

Provisions of admissible expenses for the above items are

- (a) Loss of stock-in-trade is an admissible expense and is allowed to the full amount.
- (b) Litigation/legal expense is an admissible expense and is allowed to the full amount as it is spent for protecting business interest.
- (c) Interest expense on overdraft taken to meet business expenses is admissible expense and allowed to the full amount.
- (d) Overseas traveling expense is admissible up to 0.50% of the disclosed business turnover, so here of total Tk. 50,000 admissible amount is Tk. 20,000 (0.50% of Tk. 40,00,000. [section 55(g)]
- (e) Incentive bonus expense is fully admissible as it is related to business interest.
- (f) Of total salary expense Tk.480,000, Tk. 240,000 is admissible as it has been paid through bank transfer and rest of Tk. 240,000 is inadmissible as it has been paid in cash. [section 55(k)]
- (g) Of total salary expense Tk.100,000, Tk. 60,000 is admissible as it has been paid to employees and rest of Tk. 40,000 is inadmissible as it has been paid to a partner of the firm. [section 55(b)]
- (h) Royalty is admissible up to 10% of the disclosed net profit from business, so here total Tk. 200,000 will be admissible (10% of Tk. 20,00,000). [section 55(e)]
- (i) Not admissible, as it is a capital expenditure. [section 55(p)]
- (j) Not admissible as the penalty is imposed for violating laws.

(k) Of total repair expense of Tk. 50,000, Tk. 25,000 is admissible which is for the

proportion of office use and the rest of Tk. 25,000 is inadmissible as half proportion of the house has been used for personal purpose. [section 55(p)] (I) Of total insurance premium Tk. 20,000 is admissible which is for the protection of business interest and the rest of Tk. 5,000 is inadmissible it is given for



PERSONAL EXPENSES, FUND EMBEZZLEMENT, TAX DEPRECIATION The Profit and Loss Account presented below of X Limited, a one-man company, results net income of Taka 800,000 for the current accounting year ended on June 30. Compute the income from business for the year considering the given additional

Salary		Profit and I	Loss Account	
Commission Rent of Premises Fund Embezzlement Donations Bad debt Insurance Premium Depreciation Expense Provision for income tax Repair expense License renewal fee	Tk.	460,000 25,000 100,000 25,000 200,000 50,000 47,000 35,000 45,000 20,000	Gross Profit Interest on Securities Interest on bank Deposit	Cr. Tk. 2,000,000 100,000 25,000
Penalty and Fine Bonus Royalty Interest on Bank Loan Household expenses Net Profit		5,000 73,000 100,000 100,000 30,000 10,000 800,000 125,000		

Other Information:

(a) Salary includes Tk. 125,000 paid to an employee during December 1, 2023 to June 30, 2024 who failed to submit return within tax day nor get extension (b) Fund embezzlement occurred after office hour (c) One fourth of the premise is used as residence by X (d) Donations include Tk. 150,000 paid to a charitable hospital that is approved as per the Sixth Schedule of ITA, 2023; (e) Tk. 7,000 of insurance premium is the payment for policy purchased in the owner's name; (f) Tax depreciation amounts to Tk. 50,000; (g) Of repair expense Tk. 5,000 is spent for the space used for residential purpose; (h) Commission includes Tk. 10,000 paid to shareholder director.

430

Assessee: X	Assessment Year: 2024 - 2025	Income Year: 2020
Income from Business (se	ection 45)	Income Year: 2023 - 2024
Profit as per Profit and Lo	ss account	
Add: Inadmissible expense	es (workings 1)	Tk. 800,000
Less: Depreciation expens	e (as per ITO)	450,000
Less: Non-Business Incom	e (workings 2)	(50,000)
Taxable income from Busi		(125 00.
and the same of th		Tk. 1,075,000

Workings 1: Inadmissible expense	5	Workings 2: Non-Business in	C0me
Salary (note 1)	Tk. 125,000	Interest on Securities	
Commission (note 2)	10,000	Interest on Bank deposit	Tk. 100,000
Rent (100,000 4)	25,000	•	25.0nn
Fund Embezzlement (note 3)	25,000		Tk. 125,000
Donations (note 4)	50,000		Ť
Life insurance premium (note 5)	7,000		
Depreciation Expense (note 6)	35,000		
Provision for Income Tax	45,000		
Repair expense (note 7)	5,000		
Penalty and fine	73,000		
Bonus (note 8)	20,000		
Royalty (note 9)	20,000		
Household expenses	10,000		
	Tk. 450,000		

Notes: (1) Salary is an unadmissible expense as the person failed to file return within tax day (2) Commission paid to shareholder director is not admissible deduction (3) As fund embezzlement occurred after office hour, this is not allowed (4) Donations made to the unapproved organization are inadmissible (5) Personal life insurance premium is unadmissible (6) Depreciation charged in the profit and loss account is considered as inadmissible which has been treated latter by the allowable amount as per ITA (7) Rent and repair expense paid for the residential proportion is inadmissible (8) Bonus is admissible up to an amount equal to 10% of the disclosed net profit, i.e., 10% of Tk. 800,000; the rest of the amount is inadmissible. (9) Royalty is admissible up to an amount equal to 10% of the disclosed net profit, i.e., 10% of Tk. 800,000; the rest of the amount is inadmissible.



CAPITAL GAIN, FREE SAMPLE, TRAVELLING EXPENSE, LEGAL EXPENSE

The Income Statement with selective notes of ABC Ltd for the current year ended on December 31 is presented below. Compute the income from business or profession of ABC Ltd for the year considering the other given information.

ABC Ltd for the year considering the other given information.	•
INCT Sales	Tk. 1,000,000
Less: Cost of Goods Sold	536,000
Gross Profit	464,000
Add: Gain on Sale of Furniture	
	45,000
Less: Administrative and Calling a Dr.	509,000
Less: Administrative and Selling & Distribution Expenses Net Profit	209,000
THE PERSON NAMED IN COLUMN TO SERVICE AND ADDRESS OF THE PERSON NAMED IN COLUMN TO SE	Tk. 300,000

Chapter - 8 Income from Business or Profession disposal was Tk. 34,000 and sold for Tk. 93,000, do., accumulated depreciation on expense Tk. 11,000; rents, rates & taxes Tk. 10,000; provision for doubtful debts Tk. 14,000; legal charges Tk. 11,000; underwriting commission Tk. 13,000; adult fees Tk. 10,000; repair expenses Tk. 11,000; underwriting commission Tk. 13,000; adult fees Tk. 16,000) Tk. 20,000; incentive bouness Tk. 40,000; depreciation expense Tk. 18,000; advertising expense (free sample distribution Tk. and overseas traveling expense Tk. 12,000, which is incurred for giving services to expenses have been incurred in defending an action of infringement of its trademarks.

Assessee: ABC Ltd	an action of infringement of its trademarks.
Income from Business (section 45)	I agente of its trademarks.
Net i fort as per filcome states.	Income Year: 2023 – 2024
Add: Inadmissible expenses (-02/
	Tk. 300,000
Less. Non-Business Income (66,000
Taxable income from Business or Profession	(25,000)
Washings 1. Inc. de	(11,000)
Workings 1: Inadmissible expenses	Tk. 330,000
Provision for Doubtful Debts Working	gs 2: Non-Rusia

Workings 1: Inadmissible expenses			Tk. 330,000
Provision for Doubtful Debts		Workings 2 2	
Underwriting Commission (note 1)		Gain on sale of furniture (note 5):	
Incentive Bonuses (note 2)	13,000	Cost	
Free sample distribution (note 3)	10,000	WDV	Tk. 82,000
Depreciation Expenses (note 4)	11,000	Sale proceeds	48,000
	18,000	Total gain (colo	93,000
	Tk. 66,000	Capital Gain (sale proceed – WDV)	45,000
Notes: (1) Underwriting commission in		Capital Gain (sale proceed - Cost)	11,000

Notes: (1) Underwriting commission is of capital nature and not admissible (2) Incentive bonuses up to 10% of disclosed net profit i.e. 10% of Tk. 300,000 is admissible expense (3) Free sample distribution is admissible up to 0.5% of a turnover up to Tk. 5 crore. So, the admissible amount is 0.5% of Tk. 1,000,000 (4) Depreciation is odmissible only by the allowable amount as per ITA (5) Capital gain will be shown under Capital Gain Head (6) travelling was a key requirement.



BAD DEBT RECOVERY, LEGAL EXPENSE, PENALTIES, DEPRECIATION

Below is the Trading and Profit & Loss account of Mr. X & Associates for the current year ended December 31. Considering the given information, compute income from business or profession and total taxable income of Mr. X and Associates for the year.

			ome of ivii. A and A	155001	ites for the year.
Dr.	Tradii	ng & Profit	and Loss Account		Cr.
Opening Stock	Tk.	100,000	Sales		Tk. 1,500,000
Purchase		600,000	Closing stock		200,000
Wages		56,000			,
Depreciation on Machin	nery	13,000			y 3:
Power and Fuel		11,000			

Gross Profit (Carried Down)	920,000		
	1,700,000	,	1 2
Salaries	75,000	Gross Profit (Brought Down)	1,700,000
Rent, Rates and Taxes	22,000	Bad Debt Recovered	920,000
Annual Membership Fee	50,000	Interest and Discount Received	27,000
Legal Expenses	12,000	Interest on Debenture	25,000
Underwriting Commission	36,000	Dividend on Share	80,000
Purchase of Trademarks	120,000	Commission	60,000
Bad Debts	24,000		28,000
Accounting Fees	42,000		,000
Depreciation - office building	37,000		
Fines and Penalties	12,000		
Donation to Flood Relief Fund	60,000		
Gratuity to Employees	80,000		
Advance Income Tax	28,000		
Loss on sale of office furniture	12,000		
Dowry paid to the Daughter	50,000		
Miscellaneous Expense	40,000		
Net Profit	440,000		
Ĩ	,140,000		ं सम
Other information.		1	,140,000

Other	info	rmation.
-------	------	----------

pense
pense
mpetitor for
riod
riod
gent of the
- MI
25,000 and
r

Assessee: X & Associates Assessment Year: 2024 – 2025 Particulars of Total Income	Income Yea	r: 2023 – 2024
Income from Business (workings 1)	Section	Amount
Income from Financial Assets (dividend and)	45	Tk. 586,000
Total income	62	140,000
Workings 1: Income from Business or Profession Net Profit as per Profit and Loss Account		Tk. 726,000
Aud. Illadmissible expenses (working a)		Tk. 440,000
Less: Depreciation expense (as per ITO)		341,000
278		(55,000)

Chapter _ s	2 r
	Income from Business or Profession

Less: Non-Business Income (working Taxable income from Business	35 3)	Chapter - 8 Income from Business	or Profession
Workings 2: Inadmissible expenses			-
Salaries			(140,000)
Underwriting commission	Tk. 20,000	Workings 3: Non-Business income Interest on Debenture	Tk. 586,000
Purchase of trademarks	36,000	Interest on Debenture	
Fines and penalties	120,000	Dividend on Share	Tk. 80,000
Dowry paid to the daughter	12,000	· · ·	60,000
Advance income tax	50,000		140,000
Depreciation expenses (note)	28,000		
Miscellaneous expense	50,000		
	25,000		
Notes: Depreciation on machinery Tk. 13			
such expense is added by	0.000 254 .		

machinery Tk. 13,000 and on building Tk. 37,000 is not admissible. So, Tk. 50,000 for Notes: Depreciation and the State of the Sta



STARTUP SANDBOX

ABC company is registered on September 30, 2022, under the Company Act 1994. Its scope of work covers innovations and development in the field of pharmacology as per Memorandum of Association. It was not created as an act of amalgamation or demerger and its annual turnover is not above Tk. 100 crore. (a) Can ABC register itself as a startup?

- (b) Say ABC applied for registration as a startup and gets approval on December 18, 2023. What will be the 'Growth Years' for ABC?
- (c) If ABC reports a loss during 'Growth Years', for how many years ABC can carry
- (d) Mention the requirement of minimum tax of a registered startup during 'Growth Solution

- (a) ABC company can register itself as a startup as it fulfills all the conditions required as per the conditions given in Eighth Schedule, Part 2, Para 7(c) of Income Tax Act 2023. The conditions are - (i) Registered under Company Act 1994; (ii) Scope of work covers innovation and development; (iii) Not created as an act of amalgamation or demerger; and (iv) Annual turnover doesn't exceed
- (b) For companies incorporated between July 1, 2017 and June 30, 2022; and registered as startup by June 30, 2024; growth year will cover three years from July 1, 2024 to June 30, 2027.
- (c) If ABC reports loss during growth year, such loss could be carried for nine successive years for set-off.
- (d) Under section 163(5), minimum tax for a startup during growth years will be 0.1% of Gross Receipts.



INCOME FROM PROFESSION, TAX CONSULTANT

From the following receipts and payments account for the current year ended on June calculate income from profession.

Receipts (in Tk.)		Payments (in Tk.)	
Balance B.D	350,000	Administrative expenses	
Fees from Client		Salary to staff	60,000
Presents from Client	40,000	Repairs	70,000
Winning from lotteries	28,000	Interest on loan for business	8,000
Rent from let out property		Income tax	12,000
Share of profit from a firm	12,500	Purchase of car (01.07.22)	6,000
·		Balance c/d	150,000
	655,500		3,49,500
			655,500

Assessee: Azhar A	ssessment Year: 2024 – 2025	Income Year	. 2022
Income from Business (section 45)			. 2023 - 2024
Professional receipts			771
Fees from client		Tk. 150,000	Tk. 190,000
Present from client		40,000	11
Professional payments		10,000	- 1 B
Administrative expenses		Tk. 60,000	165,000
Staff salary		70,000	172
Repairs		8,000	
Interest on loan for business		12,000	
Depreciation of car @10% [as per	Para 4, 3rd schedule]		
Total	i, b soliculoj	15,000	
			Tk. 25,000



INCOME FROM PROFESSION, CHARTERED ACCOUNTANT

Following is the income and expenditure account of R & Co., chartered accountants, for the current year ending $30^{\rm th}$ June. Calculate income from profession considering: Tk. 5,000 can be claimed as depreciation for office assets as per income tax provision.

Expenditure (in Tk.)		Incomes (in Tk.)	
Charity and donation	100,000	Audit fee	300,000
Subscription to ICAB journals	2,000	Examiner fee	25,000
Institute fee	4,000	Fee for other accounting work	40,000
Office rent	5,000	Dividend from ICB Unit Fund	35,000
Drawings	50,000	The state of the s	55,55
Electricity bill	9,000		
Salary to trainee	20,000		
Net income	210,000		
	400,000		400.000

Assessee: R & Co.	Chapter - 8 Iva	
Income from Business (section 45) Professional receipts Assessment Year:	Chapter - 8 Income from Business o	r Profession
Professional receipts		
Audit fees	Income Year:	2023 - 2024
Examiner fees		
Fees for other accounting work	Th. 20	Tk. 365,000
professional payments	Tk. 300,000	
Subscription to journal	25,000	
	40,000	
Institute fee		45,000
Office rent	Tk. 2,000	.5,000
Bill for electricity	4,000	
Salary to trainee	5,000	
Depreciation	9,000	
Total	20,000	
	5,000	
INCOME TRANS		Tk. 320,000



INCOME FROM PROFESSION, MEDICAL PRACTITIONER

Dr. Arup Ratan is a renowned medical practitioner (Dentist) who gives the following receipts and payments account for the current year ending on 30th June. Calculate his

		- Lane. Ca	iculate IIIs
Receipts (in Tk.)			
Balance B/D		Payments (in Tk.)	
Consulting Fees from Patients	75,000	Rent to clinic	15,000
Visiting fees	45,000	Purchase of and	15,000
visiting rees			20,000
Sale of medicines	20,000	Purchase of medicine	15,000
Gifts and presents c	90,000	Purchase of Motor car	
Gifts and presents from clients	10,000	Income tax	75,000
Interest on post office savings		The start of the s	3,000
Winning from lottery	12,000	Purchase of surgical equipment	15,000
Divided I	150,000	Gift to wife	
Dividends	10,000		5,000
1 .		Dalance C/d	264,000
	412,000	, -	412,000
			712,000

Additional information: (1) One-third of the car is used for personal purpose; (2) Date of purchase: Professional book & surgical equipment on $1^{\rm st}$ July 2022 and Car on $1^{\rm st}$ January, 2023. (3) Depreciation is to be charged @ 25% on books, @ 10% on car, and @ 20% on surgical equipment as per Para 4 of Third Schedule (4) Closing stock of medicine is Tk. 4,000.

Assessee: Arup Ratan	Assessment Year: 2024 - 2025	024 - 2025 Income Year: 2023	
Income from Business (section 45)			
Professional receipts			Tk. 165,000
Consulting fees		Tk. 45,000	,
Visiting fees		20,000	
Sale of medicine		90,000	
Gifts and presents from clients		10,000	

Tk. 123,500

Notes: (1) Depreciation: on books (20,000 × 25%) i.e., Tk. 5,000 plus on car (75,000 × 10%) i.e., Tk. 7,500 plus on Car (75,000 × 10%) i.e., Tk. 7,500 plu Notes: (1) Depreciation: on books (20,000 \times 25%) Le., Lk. 2,000 plus on equipment (15,000 \times 20%) Le., Tk. 3,000 \times Tk. 15,500 (2) Cost of medicine = purchase of medicine Tk. 15,000 plus on equipment (15,000 \times 20%) Le., Tk. 3,000 \times Tk. 15,500 (2) Cost of medicine = purchase of medicine Tk. 15,000 plus on the purchase of



COMPUTATION OF TAX LIABILITY, COST AND MANAGEMENT ACCOUNTANT

Mr. Jamilur Rahman is a Cost and Management Accountant. He maintained books of Mr. Jamilur Kaninan is a cost and expenditure account for the current year ended on 30th June. Compute total income and tax to be paid by him for the year,

F P T			year.
Expenditure (in Tk.)		Incomes (in Tk.)	
Salary to Staff	320,000		_
Office Expenses	48,000		p.,
Office Rent (without TDS)	80,000	From Tax practice	300,000
Entertainment	10,000	From accounts	200,000
Loan to client	40,000	From accounts preparation	150,000
Purchase of professional books	12,000	della moni Fublic Ltd. Co	50,000
Traveling Expenses	25,000		
Purchase of one computer	20,000	Rental income from sub-let of	,,,,,
Loss on sale of listed shares		hired premises	36,000
Misc. Expenses	18,000		- 5,000
Net profit	10,000		
- prom	193,000		
	776,000	-	776 000
			776,000

			776,000
Assessee: Jamilur Rahman	Assessment Year: 2024 - 2025		
Particulars of Total Income	7435435Hefft Year: 2024 - 2025	Income Yea	r: 2023 – 2024
Income from Business (workings 1)		Section	Amount
Income from Financial Assets (work	cines 2)	45	Tk. 152,640
Income from other sources (rental in	Some from 1	62	90,000
Total income	icome from sub-let)	66	36,000
Warkings I. Inc.			Tk. 278,640
Workings 1: Income from Business	t		
Net Profit as per Profit and Loss Ace	count		
Add: Inadmissible expenses (working	gs 3)		Tk. 193,000
Aud: Entertainment for senarate con	ridama"	the state of the state of	90,000
cas. Depreciation expense as per 17	A (1)		10,000
ess: Non-Business Income (workin	as A)		(8,000)
			(126,000)
ess: Entertainment (159,000 × 4%)			159,000
82			(6,360)

Taxable income from Business Chapter - 8 Income from Business or Profession Workings 2: Income from Financial Assets Dividend from Public Ltd Company Tk. 152,640 Interest on Bank deposit Tk. 50,000

Workings 3: Inadmissible expenses	40,000	
Loan to client (note 2)	Workings 4: Non-Business income	90,000
Loss on sale of listed shares (note 2) 12,000 20,000 18,000 90,000	Rental income from sub-let	50,000 40,000 36,000
Notes: (1) Depreciation as per 3rd Schedule: on prof.		126,000

Notes: (1) Depreciation as per 3rd Schedule: on professional books @ 25% (12000 × 25%) i.e., Tk. 3,000 plus on Notes: (1) Depth of the procession of processional books (25% (12000 \times 25%) i.e., Tk. 3,000 plus on computer (25% (20,000 \times 25%) i.e., Tk. 5,000 = Tk. 8,000. (2) Disallowed fully as it is not business expenditure. So, not allowable as per section – 29 (3) Disallowed fully as it is not an expenditure rather asset to business. So, not

> Tax liability: His taxable income doesn't exceed non-assessable income limit and thus his income is not taxable. However, he may claim Tk. 74,000 refund in following year(s) due to TDS [including TDS on Bank Interest (Tk. $40,000 \times 10\%$) Tk. 4,000, on professional fee (650,000 \times 10%) Tk. 65,000, and on cash dividend (50,000 \times 10%) Tk. 5,000]; Thus, the final tax liability shows a refund of Tk. 69,000 (Tk. 5,000



COMPREHENSIVE PROBLEM

XYZ Traders has reported Tk. 45,00,000 net profit for the year ended on June 30, 2024. Disclosed business turnover for the year was Tk. 8,00,00,000. XYZ follows the mercantile system of accounting and prepare accounting statements as per latest IFRS as adopted by the Institute of Chartered Accountants of Bangladesh. On scrutiny of the Statement of Comprehensive Income, the following items are identified that may have tax implications:

Debit Items: Cash salaries paid to 4 employees whose monthly amount of salary is Tk. 21,000 each; Salaries of Tk. 380,000 paid without TDS though TDS was applicable; Tk. 520,000 paid to Mridul Brothers for purchase of raw material other than bank transfer; Overseas travelling expenses recorded for the year Tk. 4,50,000; Annual rent paid Tk. 12,00,000 in cash; Total promotional expenses (other than advertisements) incurred during the year, Tk. 6,50,000; Amount of annual perquisites given to three employees, Tk. 33,00,000; Head Office Expenses paid during the year, Tk. 5,00,000; Accounting depreciation charged Tk. 4,00,000, whereas tax depreciation is Tk. 3,50,000; Entertainment expense charged, Tk. 150,000; Royalty paid, Tk. 512,500.

Credit Items: During the year, an asset was sold for Tk. 5.30 lac [originally purchased] Credit Items: During the year, an asset of the asset at the time of sale was Tk. 4.50 lac. Written down value of the asset at the time of sale was Tk. 4.50 lac. for Tk. 4.80 lac] Written down value.

Tk. 150,000 dividend received from investment in shares in publicly traded company: Tk. \$50,000 received as interest on Fixed Deposit from scheduled banks.

Assessee: XYZ Traders	Assessment Y	'ear: 2024 - 2025	Income Ye	9r. 20-
Particulars of Total Income	-		Section	ar: 2023 - 2026
Income from Business (workings I)			Amount
Income from Capital Gain			45	73,57,50
Income from Financial Assets			57	50,00
Total income			62	10,00,00
				Tk. 84.07,50
Workings 1: Income from Busines	•			1.07.50
Net Profit as per Profit and Loss Ad	count			
Add: Inadmissible expenses (working	nes 2)			Tk. 45,00,000
Less. Depreciation expense (as per	ITA)			42,57,500
Less: Non-Business Income (working	105 3)			350,000
Taxable income from Business	.833)			10,50,000
The Countries				(0,50,00(
				73 57 50
Workings 2: Inadmissible expenses		Wartings 2. N. n.		73,57,500
Workings 2: Inadmissible expenses	-	Workings 3: Non-Bu	isiness incom	73,57,500 e
			isiness incom	73,57,500 e
Cash salaries (21,000×12×4)	Tk. 10,08,000	Capital gain (note 7)		
Cash salaries (21,000×12×4) Salary (without TDS)	Tk. 10,08,000 380,000	Capital gain (note 7) Interest on Fixed Dep		Tk. 50,000
Cash salaries (21,000×12×4) Salary (without TDS) Payment for raw material purchase	Tk. 10,08,000 380,000 520,000	Capital gain (note 7)		Tk. 50,000
Cash salaries (21,000×12×4) Salary (without TDS) Payment for raw material purchase Overseas travelling (note 1)	Tk. 10,08,000 380,000 520,000 50,000	Capital gain (note 7) Interest on Fixed Dep		Tk. 50,000 850,000 150,000
Cash salaries (21,000×12×4) Salary (without TDS) Payment for raw material purchase Overseas travelling (note 1) Rental expense	Tk. 10,08,000 380,000 520,000 50,000 12,00,000	Capital gain (note 7) Interest on Fixed Dep		Tk. 50,000 850,000 150,000
Cash salaries (21,000×12×4) Salary (without TDS) Payment for raw material purchase Overseas travelling (note 1) Rental expense Promotional expenses (note 2)	Tk. 10,08,000 380,000 520,000 50,000 12,00,000 250,000	Capital gain (note 7) Interest on Fixed Dep		Tk. 50,000 850,000
Cash salaries (21,000×12×4) Salary (without TDS) Payment for raw material purchase Overseas travelling (note 1) Rental expense Promotional expenses (note 2) Excess perquisites (note 3)	Tk. 10,08,000 380,000 520,000 50,000 12,00,000 250,000 300,000	Capital gain (note 7) Interest on Fixed Dep		Tk. 50,000 850,000 150,000
Cash salaries (21,000×12×4) Salary (without TDS) Payment for raw material purchase Overseas travelling (note 1) Rental expense Promotional expenses (note 2) Excess perquisites (note 3) Head office expense (note 4)	Tk. 10,08,000 380,000 520,000 50,000 12,00,000 250,000 300,000 50,000	Capital gain (note 7) Interest on Fixed Dep		Tk. 50,000 850,000 150,000
Cash salaries (21,000×12×4) Salary (without TDS) Payment for raw material purchase Overseas travelling (note 1) Rental expense Promotional expenses (note 2) Excess perquisites (note 3) Head office expense (note 4) Depreciation expenses	Tk. 10,08,000 380,000 520,000 50,000 12,00,000 250,000 300,000 50,000 4,00,000	Capital gain (note 7) Interest on Fixed Dep		Tk. 50,000 850,000
Cash salaries (21,000×12×4) Salary (without TDS) Payment for raw material purchase Overseas travelling (note 1) Rental expense Promotional expenses (note 2) Excess perquisites (note 3) Head office expense (note 4) Depreciation expenses Salertainment expense (note 5)	Tk. 10,08,000 380,000 520,000 50,000 12,00,000 250,000 300,000 50,000 4,00,000 37,000	Capital gain (note 7) Interest on Fixed Dep		73,57,500 e Tk. 50,000 850,000 150,000
Cash salaries (21,000×12×4) Salary (without TDS) Payment for raw material purchase Overseas travelling (note 1) Rental expense Promotional expenses (note 2) Excess perquisites (note 3) Head office expense (note 4) Depreciation expenses	Tk. 10,08,000 380,000 520,000 50,000 12,00,000 250,000 300,000 50,000 4,00,000	Capital gain (note 7) Interest on Fixed Dep		Tk. 50,000 850,000 150,000

Notes: (1) Overseas travelling expense allowed is up to 0.50% of disclosed business turnover, i.e., Tk. 4 lac (0.50%) of Tk. 8 crore). Thus, Tk. 50,000 is not admissible. (2) Promotional expense allowed is up to 0.50% of disclosed business turnover, i.e. Tk. 400,000 (0.50% of Tk. 8 crore). Thus, Tk. 250,000 is not admissible. (3) Allowable perquisite to three employees is maximum taka 3,000,000 (taka 1,000,000 per employee). (4) Head office expense is allowable up to 10% of Disclosed Net Profit, i.e., Tk. 450,000 (10% of Tk. 45 lac). Thus, Tk. 50,000 is not admissible (5) Allowable entertainment expense is Tk. 113,000 (4% of Tk. 10 lac + 2% of Tk. 36.50 lac). Thus, Tk. 37,000 is not admissible (6) Royalty is allowed upto 10% of disclosed net profit, i.e., 450,000 (10% of taka 4,500,000). Thus take 62.500 is not allowed (512,500 - 450,000). (7) Capital gain on sale of asset is Tk. 50,000. i.e., sale proceeds (Tk. 530,000) exceeding original costs (Tk. 480,000).

KEY POINTS	Chapter ~ 8 Income from Business or Profession
	in the nature
	in the nature of trade/commerce/manufacture; or any adventure or concern any profit or not-for-profit entity and any profession or vocation. Any income received during the income year from a discount of the agent of the profit of the profi
0	The assessee is free to select his own
0	Full denrecipition, profits and and the extent of 4% on the
_	head 'Income from capital gain' scapital gain and should be taxed under the
	Any government and on ships or vessel when original coast in case of accelerated
	adjusted accordingly to calculate the accurate costs
	proportionate export value against such quota (in part or full) to any person, the income from business. Depreciation is allowed on cost but investment allowance is allowed on specified percentage of cost of qualifying assets.
	HOICE QUESTIONS

MULTIPLE CHOICE QUESTIONS

- 1. As per rule, balancing allowance may exist if WDV is -
 - (a) Higher than sale proceeds
- (b) Lower than sale proceeds
- (c) Equal to sale proceeds 2. Funds transferred to Workers Participation Fund is allowable for deduction upto disclosed net business profit. (a) 5%

3. Which of the following is an admissible expense under the head income from business -

(b) 10%

- (a) Rent of premises where the assessee is the owner of the premises
- (b) Bonus to employee in addition to employment rule
- (c) Depreciation on scientific assets where capital expenditure on such assets were admissible
- (d) Accounting and audit fees
- 4. Rate of depreciation admissible for factory building is -(a) 10%
- (b) 16%
- (c) 20%

(c) 15%

- (d) 24%
- 5. Which of the following is not an admissible expense under the head income from business -
- (a) Salaries paid to the employees without deducting taxes at source
- (b) Compensation to an employee for injury or accident met while on duty
- (c) Production, transportation and marketing expenses of inventories
- (d) Cost of borrowed funds in terms of interest

Bangladesh Income Tax - Theory and Practice

- 6. Which of the following statement is false
 - (a) Renewal fees of license is an admissible expense
 - (b) Loss on foreign exchange translation is an inadmissible expense
 - (c) Royalty paid against patent or copy right is an admissible expense
 - (d) Reserve for bad debt and reserve for discount is an inadmissible expense
- 7. Which of the following statement is true
 - (a) Personal expenses of assessee is admissible
 - (b) Expenditures incurred for issuing of shares is admissible
 - (c) Income tax is inadmissible
 - (d) leave allowance given to employees is inadmissible
- (d) leave allowance given to employees.

 8. Depreciation allowance is to be calculated on the original cost of the asset for which type of
 - (a) Ocean going ship

(b) Furniture and fittings

(c) Motor vehicle

(d) Building

9. Rate of amortization allowance for preliminary expense is -

(a) 10%

(b) 15%

(c) 20%

(d) 25%

10. If WDV is more than sales proceeds, the difference is called

(a) Balancing charge

(b) Balancing allowance

(c) Capital gain

(d) Revenue gain

TRUE (T) OR FALSE (F) IDENTIFICATION

- 1. Sales tax, value added tax are not admissible expense.
- 2. Loss on sale of capital asset is an inadmissible expense.
- 3. Total of Depreciation Allowance, in no case, will be higher than the original cost.
- 4. Allowable depreciation on furniture and fittings is 10% on original cost.
- 5. The assessee is free to select his own accounting system.

DT □F O T ΠF DT DF DT DE OT OF

DISCUSSION QUESTIONS (DQ)

- Explain scope of income under the head 'income from business' as per section 46.
- What are allowable deductions under the head 'income from business'?
- DQ8.3 List down the expenses that are not admissible under 'income from business'.
- DQ8.4 Explain different methods of accounting for calculating income from business.
- DQ8.5 What are different types of depreciation allowance? Explain each of the depreciation allowances with the rates and assets concerned.
- DQ8.6 Compare balancing charge, balancing allowance and capital gain.
- DQ8.7 Explain accelerated depreciation. How it differs from accounting sense of accelerated depreciation method of charging depreciation?
- DQ8.8 Write short note on: ☐ Set off of losses ☐ Written down value ☐ Speculation business

PROBLEM CASES (PC)

PC8.1: Which of the following expenses are admissible and up to what extent?

	Research even
	Research expenses for the year Tk. 20,000 and is revenue expense in nature. Loan amounting to Taka 20,000 has actually been written off though it was not year, it has been established that the least year and thus was not allowed then. But in this Bad debt amounts the least year and thus was not allowed then.
	established as such is revenue expense in nature
Ď	year, it has been establish year and thus was not
П	established as such in the last year and thus was not allowed then. But in this Bad debt amounting to Tak 15,000 has actually been written off though it was not year, it has been established that the loan is not recoverable. Irrecoverable in the last year in satisfaction of the DCT. Besides Provision for Appual.
	irrecoverable in the last year in satisfaction of the DCT. Besides, Provision for Annual subscription.
	doubtful debt has been made O satisfaction of the DCT. Poside P
ч	Annual subscription (@15% on the total arms of Desides, Provision for

iption amounting to Tk. 45,000 is paid to Bangladesh Medical Association as a registered member thereof. ☐ Amount transferred to Special Reserve Fund Taka 25,000. Total income for the year amounts to Taka 200,000. Previous balance of Special Reserve Fund amounts to Taka 85,000 and the amount of capital outstanding is Taka 100,000.

Depreciation charged on the machinery owned by the business @ 10% assuming a 5 years life on straight-line basis. The cost of the machinery was Taka 50,000.

PC8.2: The Prof t and Loss Account of M/s Y Enterprise results net income of Taka 1,280,000 for the current accounting year ended on June 30. Compute the income from business or profession for the year.

Dr. Salary		Loss Account	Cr.
Rates and Taxes Rent of Premises Fund Embezzlement	1,000,000 40,000 400,000	Gross Profit Interest on less tax govt. securities	3,000,000
Donations Bad debt Fire Insurance Premium	50,000 200,000 80,000	Bad Debt Recovered (disallowed earlier)	50,000
Depreciation – Machinery Provision for Doubtful Debt	50,000 40,000 60,000		
Net Profit	1,280,000 3,200,000		3,200,000

Other Information: (1) Salary includes Tk. 300,000 paid as perquisites for the year (2) Fund embezzlement occurred during office hour on account of theft by an employee (3) Donations are made to approved organizations under Part 3 of the Sixth Schedule of ITA, 2023 (4) Tax depreciation amounts to Tk. 50,000.

PC8.3: The Income Statement with selective notes thereon of XYZ Ltd for the current year ended on December 3.1 is as under. Compute the income from business or profession for the year.

Tk. 10,000,000 Net Sales 6,800,000 Less: Cost of Goods Sold 3,200,000 **Gross Profit**

Add: Gain on Sale of Building (Note 1) 1,200,000 Less: Administrative and Selling & Distribution Expenses (Note 2) 4,400,000 3,400,000 Net Profit 1,000,000 Notes:

- Notes:

 Cost of the Building was Tk. 8,000,000, accumulated depreciation up to the date
- of sale was TK. 2770,000 and Administrative and selling & distribution expenses total Tk. 3,400,000 includes: Salaries and Wages Tk. 1,562,000 Provision for Doubtful Debt Tk. 125,000 Underwriting Commission 60,000 Fines and Penalties 80,000 Overseas Traveling Expense 120,000 Rents, Rates & Taxes 1,100,000 37,000 Cost of Issuing Shares Legal Charges 100,000 Incentive Bonuses 40,000 Depreciation Expense Audit Fees 116,000 60,000
- Salaries includes Tk. 180,000 payment to en ployees who failed to submit return within tax day and Tk. 520,000 as payment classified as perquisites. ☐ The fines and penalties are charged by a local court for involvement in illegal
- ☐ Oversees travelling expenses incurred for providing services to government where oversees travelling was a key requirement for the service.
- ☐ Legal charges were for defending a suit for alleged breach of a trading contract.
- ☐ Tax depreciation amounts to be Taka 80,000.

PC8.4: The Trading and Profit & Loss Account of Mr. Z and Associates for the current year ended on December 31 is presented below. Compute the income from business or profession and total taxable income of Mr. Z and Associates for the year.

D-		of wir. Z and Associates for	r the year.
Dr. Trading	& Profit and	Loss Account (in Tk.)	Cr.
Opening Stock	200,000	Sales	2,300,000
Purchases	800,000	Closing Stock	
Wages	80,000	Stock	200,000
Depreciation on Equipment	20,000		
Transportation In	10,000		
Gross Profit (Carried Down)	1,390,000		
	2,500,000		2,500,000
Salaries	280,000	C B 2 45	
Rent, Rates and Taxes	60,000	Gross Profit (Brought Down)	1,390,000
Annual Membership Fee		Bad Debt Recovered	30,000
Legal Expenses	50,000	Interest and Discount Received	25,000
Brokerage Fees	26,000	Interest on Debenture	80,000
Purchase of Copyright	45,000	Dividend on Share	60,000
Bad Debts	200,000	Commission	28,000
	60,000	Income from House Property	180,000

Audit Fees	Cha	pter= 8 lucamos
Depreciation - ofc	50,000	pter = 8 Income from Business or Profession
Fines and Penalties	00,000	
Donation to Aga Khan	20,000	
Payment from Pension Fund	60,000 280,000	
Tax Paid on Last Assessment Loss on sale of furniture	30,000	
. dynielii [0 Danake	10,000	
Wilscellaneous Expos	50,000	
Net Profit	60,000	
* * * * * * * * * * * * * * * * * * * *	452,000 1,793,000	

Other information: (1) Salaries are paid without deducting tax at sources (2) Recovered amount of bad debt was previously disallowed as bad debt expense (3) Legal expense is incurred for filing and continuing a case against competitor for protecting the interest of the business (4) Fines and penalties were due to the noncompliance of govt. rules and regulations (5) Miscellaneous expense includes Taka 40,000 that was incurred for payment to tax consultant who doesn't own 12digit TIN (6) Tax depreciation on equipment Tk. 30,000 and on furniture Tk. 50,000.

PC8.5: From the following receipts and payments account of Mr. Arif Khan, an income tax practitioner, calculate income from profession.

11 to

001 41

Receipts and Payments Account

	Kecel	pts and Pa	yments Account	
	receipts (in Tk.)	· ·		
	Balance B/D	250,000	Payments (in Tk.)	
	Fees from Client	350,000	and administrative exp.	60,000
	Presents from Client	150,000		70,000
		40,000	Repairs	8,000
	Interest on Bangladesh savings		Interest on loan for business	
j	certificate	22,500	Income tax	12,000
	Rent from let out property	75,000		6,000
	Share of profit from a firm	,	Purchase of car (01.01.20)	150,000
	- Profit from a firm	12,500	Balance c/d	344,000
		650,000		650,000
			6: 1	7.74

PC8.6: Following is the income and expenditure account of Hasan & Co., cost and management accountants for the current year ending 30th June. Calculate income from profession from the given details.

Expenditure (in Tk.)		Incomes (in Tk.)		
Charity and donation	100,000	Audit fee	300,000	
Subscription to ICMAB journals	2,000	Examiner fee	25,000	
Institute fee	4,000	Fee for other accounting work	40,000	
Rent expense	50,000	Dividend from ICB Unit Fund	45,000	

Plenskip	ं और
Education to the E	N/ 1989
Restar in trainer	71,989
Repair reports	11-1999
No turne	1 101 1000
	405,300

The rest way for emission depreciation for office states. me that depression has proven made . It like your again deall in panel four fole conceptioners.

To Materialis Business of a reconstruct resolution properties when following review our poverious aremain for the current wear anding to 300 feet alcelles. 15. Materially Hange - income from profession for the page

Monager on 15		Paimoni 14-78	
100000-1 17	** 190 0	Remote compr	rana
Officertiffing Loan Brane Marketter	41.000	Parethuse of professional baseling	15,000
Arthurself Star.	701-000	gentel printe, els, talesqui tabi	20:00
Matthew reports now	90.000	Prenties of Motor car	15,000
Gifft mer prespone from ellegents	110,4900	Top carrie 1819	71,000
depend from page office annings.	17,4900	Purchase of surgical dynamical	3,000
Witness Steel Littler	440,000	Cittle to write	15,000
f hougheads	14/006	Purchase of land	5,000
hiller from 1960		National e (g	N96;000
	Vinde		264,600
			V.12.000

flam street processes of the one is unsed for percental pumpose. "/ Then of our chance the elementaries beauti & hearpitest experience extra 1" July 2020 and $\sim 1\,\text{hapmonigation}$ is an the observable on basels. (if $2^{4n_{b_{0}}}$ on the @ 30%, and on margacial equipments (g. 20%), on part Parts 4 of Third Schodule, (6) Cameling stock of moderns Ti. 4 800

MS-16 301	MA CI	Hones:	t gr	4ht	WW.						William .	- martinus
		4		£	*	-	5,1	10		52	4 844	4
•	*	16		1	4	c	4	1	1			

Capital Gain

"his grower ment can excel withint another." "his money must moreoverable be around on the to sing the lineary we consider to making so we any to contain to be able to be

Chapter Learning Objectives (CLOs)

CAC h resident of the statement and and an about	KEY TERMS
CTO 4.9 CLOURS and interest and properties are validated from Landarder augment on approximate announcement CO 4.2 CO 5.2 CO 5.2 CO 6.2 CO 6.2 CO 6.2 CO 6.2 CO 7.2 Capital score For market online for herrspetch. Comment of the herrspetch derive water different collection related from collection related from the collection related from collection.	

Mirene 's Tie versumery

This disspace / necessity & consequently dissective dissective distribution of the consequence of first fine. month of congruence distinguished of Mission a Community in promoting inventor and distinguished Cliffs.



INTRODUCTION

CLO

9.1

CLO

9.1

9.2

Capital gain is the fifth head of income as per section 30 of Income Tax Act, 2023 Capital gain is the firm fread or mansfer of capital asset if transferred at a value more than This gain or profit arises on such income shall be charged at the special rates specified the original costs. Tax on such income in the income in the income in the income. the original costs. Tax of such income in the income year when the

9.2 **DEFINITIONS**

Some pertinent definitions to this specific head of income are quoted from ITA, 2023

Capital Assets [section 2(77)]

Capital Asset' is property of any kind or nature held by the assessee; any business or undertaking aggregately or by unit; any share or stock; but does not include -

- undertaking aggregatery of the stocks of shares), consumable stores or raw materials held for the purposes of his business; and
- personal effects, that is to say, movable property (including wearing apparel, jewelry, furniture, fixture, equipment and vehicles), which are held exclusively for personal use by, and are not used for purposes of the business or profession of the assessee or any member of his family dependent upon him.

Explanation of the phrase 'Property of any kind': As can be seen, the above definition of capital asset is very sweeping nature and covers the property of any kind barring the exceptions mentioned above namely, stock-in-trade, raw materials, movable personal properties, agricultural land within the area as specified. The term "Property of any kind" used in this section are of widest amplitude and include not only tangible assets but also intangible rights. It may be either corporeal or incorporeal. Corporeal means of a material nature i.e., physical things like land, building, shares etc. Not only these assets but non-corporeal assets like route permits for buses, tenancy rights, leasehold rights, copyrights, goodwill, patent, trademarks, franchising, licensing etc. will also be covered under the definition of capital assets. At one end, it includes all types of property-plant-equipment used in business or profession and on the other end, it also includes leasehold rights, goodwill, patent, trademarks, franchising, licensing and all other such assets whether movable or immovable, tangible or intangible, fixed or floating.

Fair Market Value [section 2(48)]

'Fair market value' means the value determined by the Board.

Transfer [section 2(93)]

'Transfer' in relation to a capital asset, includes the sale, exchange or relinquishment of the asset, or the extinguishments of any right therein, but does not include:

- any transfer of the capital asset under a gift, bequest, will, or an irrevocable trust;
- ☐ any distribution of assets of a company to its shareholders-on-its liquidation; and any distribution of capital assets on the dissolution of a firm or other association of persons or on the partition of a Hindu Undivided Family.

EXHIBIT

Chapter - 9 Capital Gain

9.1

Explanation of the Definitions

sale, exchange, or relinquishment of the asset

- Sale: There is no definition of sale under the ITA, 2023. To find out legal implication of sale one must resort sale: There is no some state of the transfer of Property Act in the case of immovable property and to the Sale of Goods Act in the case of immovable property and to the Sale of Goods Act in the case of to the Transfer of Property and to the Sale of Goods Act in the case of movable property. As per Section 54 of the Transfer of Property Act, 1882, "Sale" is a transfer of ownership
- Exchange: When two persons mutually transfer the ownership of one thing for the ownership of another, neither thing nor both things being money only, the transaction according to Section 118 of the Transfer of per property Act, 1882 is called an exchange. Like sale, exchange requires two persons. There cannot be exchange with oneself. Exchange is a bilateral transaction involving two parties each of whom owns an exchange which constitutes the subject matter of exchange. While in the case of sale, the consideration for asset while in the case of exchange, while in the case of sale, the transfer is necessarily money, in the case of exchange, the consideration is another asset.
- Relinquishment of the asset: Relinquishment means withdrawn from, abandoning, or giving up anything. By relinquishment a person ceases to own the asset concerned through some act on his part. In other words, the owner withdraws himself from the property and abandons his rights thereto. The property, however, continues to exist and will become the property of someone else.

Extinguishments of rights in an asset

Extinguishments connotes total destruction, annihilation, termination or extinction of a capital asset. However, destruction or extinction of capital assets is not regarded as transfer. In fact, there should be a destruction or extinction of "rights" in the capital asset as it may be noticed that in respect of the expression "exchange or relinquishment", the subject matter of transfer is "assets" and in case of "Extinguishment", it is "Rights" Such as,

- Cancellation of licenses. Where an assessee abandons a project and relinquishes the lease agreement of land, and industrial license and on that account suffers loss, it would be allowable as capital loss. Reduction of share capital of a company and payment to shareholders.

Note: Transfer is important as capital gain arises only on transfer. The definition makes it clear to decide whether transfer took place or not. But regarding the time, it remains silent. In case of immovable property, the transfer takes effect on the date when the deed of transfer is executed but in case of movable property, the transfer takes place on the date when ownership title over the property passes or when the property is physically handed over to the transferee [C.I.T vs. Bhurangiya Coal Co Ltd (1958)]

CLO

BASIS OF CHARGE [SECTION 57]

Tax shall be payable by an assessee under the head 'Capital Gains' in respect of any profits and gains arising from the transfer of a capital asset and such gains shall be the income of the income year in which the transfer took place. If any asset has not been transferred at fair market value as defined in International Accounting Standards or International Financial Reporting Standards, the resulting assumed gain or profit will not be considered as capital gain. Tax shall also be payable by an assessee on "capital gains from the transfer of business or undertaking" in respect of any profits and gains arising from the transfer of business or undertaking in its entirety with all of its assets and liabilities and such profits and gains shall be deemed to be the income of the

9.2

Such transfer takes place during the income year, (Sec 59) Condition 3

There must be profits on such transfer as capital gain; [Sec 58(1)] Condition 4:

Such profit or gains is not exempted from tax under sections 57, 61(3).

CLD

9.1 9.2

9.4

COMPUTATION OF CAPITAL GAINS [SECTION 58]

Subject to other provisions of ITA 2023, the capital gain of any person will be the Subject to other provisions of the dafference between fair market value or transfer value of any asset and cost of acquisition of the asset [section 58(1)]. Fair market value or transfer value will be the value of the consideration received or accruing from the transfer of the capital asset or the fair market value of the asset at the time of transfer, whichever is higher [section 58 (2)(a)]. Cost of acquisition of the capital asset is the total of the following

Expenses solely connected with the transfer of ownership of the capital asset;

☐ Original cost of the capital asset;

☐ Any cost of capital improvement other than the expenses allowed in sections 38, 42, 49, 50 or 64 [section 58(2)(b)].

If the transferee owns the asset under a deed of gift, bequest or will; or under succession, inheritance or legacy; or under a transfer on a revocable or irrevocable trust; or on any distribution of capital assets on the liquidation of any company; or on the dissolution of a firm or other association of persons or the partition of a Hindu Undivided Family; the fair market value of the asset at the date on which the capital asset become the property of assessee will be the cost of acquisition [section 58 (2)(b)]

Time of Computing Capital Gain [Section 59]

Income arises from the transfer of capital asset should be included in taxable income in the income year when such transfer took place.

Limitations of Allowable Deductions [Section 60]

Expenses will not be allowable for deduction under this chapter if tax is not deducted at source or if deducted taxes are not deposited timely provided that these expenses were subject to tax deducted at sources as per various provisions of the Income Tax



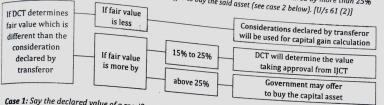
(a) What are the expenses deductible while calculating capital gain?

(b) Mention capital gain tax rates briefly

If the ownership comes through succession/inheritance/devolution, the cost of acquisition shall be the fair if the united at such date when the asset becomes the property of the assessee. [U/s 58 (2)]

If the DCT opines that the fair market value exceeds the full value of the consideration declared, by an amount of not less than 15% of the value so declared, the fair market value shall be determined again with the permission of Inspecting Joint Commissioner of Taxes (IJCT) (see case 1 below). [U/s 61 (1)]

If the DCT opines that the fair value exceeds the full value of the consideration declared by more than 25% of such declared value, the Government may offer to buy the said asset (see case 2 below). [U/s 61 (2)]



Case 1: Say the declared value of a specific asset is Tk. 50 thousand whereas the estimated fair value by the DCT amounts to BDT 59 thousand, i.e., more than 15% of declaration. In such a case, DCT may consider the fair value of the asset as BDT 59 thousand for the purpose of calculating capital gains with prior permission from IJCT.

Case 2: Declared value of an asset is Tk. 50,000 whereas the estimated fair value by the DCT amounts to Tk. 65,000, i.e., more than 25% of declaration. In such a case Government may offer to buy the asset.

9.5

CLO

9.5

9.8

TAX RATE (PARA 1, SEVENTH SCHEDULE)

Any income under the head "capital gains" shall be taxed at the rate specified below:

Tax payable @ applicable rate on the total income excluding capital gains;

Tax at the rate of 15% on the whole amount of such capital gains.

☐ In the case of a person other than a company

On disposal of capital assets within 5 years of acquisition, the capital gain will be included with total income and taxed accordingly at regular rate;

On disposal of capital assets after 5 years of acquisition, tax payable on the capital gains will be at the rate of 15% on the capital gains.

9.6

APPORTIONMENT OF SALE PROCEEDS

CLO 9.5 9.8

If capital gain arises in the hand of persons other than company, capital gain tax rates vary depending of the period of disposal. In such cases, sale proceeds may need to divide proportionately if the date of initial purchase of capital assets and the date of capital improvements on the same assets fall in different periods.

Example: Mr. Jamil had purchased a building paying Tk. 8,000,000 on July 1 3 2013 Example: Mr. Jamil had purchased a bunding paying.

He had spent Tk. 2,000,000 lac for renovation of the house on July 1, 2022. On July

He had spent Tk. 2,000,000 lac for renovation of the house on July 1, 2022. On July He had spent Tk. 2,000,000 fac for renovation 15,000,000. His capital gain from July 2023, he has sold the building for Tk. 15,000,000. His capital gain from this 1, 2023, he has sold the building for the transaction amounts to Tk. 5,000,000 which should be distributed proportionately as

Capital G	Capital Gain	Cost	Proceeds	Sale
Capital Gain Tax Rate	4,000,000	8,000,000	12,000,000	80%
15% as it exceeds 5 years Regular rate as it doesn't ex	1,000,000	2,000,000	3,000,000	20%

EXHIBIT

9.3

Computing Tax Liability

Case 1: ACI Ltd.'s total income is Tk. 500,000 (inclusive of Tk. 50,000 capital gain) for the current income year. ACI's tax hability assuming 22.5% company tax rate is: tax on income other than capital gain (Tk. 450,000 @ 22.5%) = Tk. 101.250 plus tax on capital gain (Tk. 50,000 @ 15%) = Tk. 7,500. Total tax liability is Tk. 108,750.

Case 2: Mr. Tanvir's total income is Tk. 750,000 (inclusive of Tk. 50,000 capital gain) for the current income year. If disposal of capital assets has done within 5 years of acquisition. His tax liability is - on first Tk. 350,000 ● 0% (Le, nil), on next Tk 100,000 @ 5% (Le, Tk 5,000) and on the rest Tk 300,000 @ 10% (Le, Tk 30,000)

Case 3: The details of total income and capital gain of two assessees for the current income year are given below. Compute tax liability if disposal of capital assets has done after 5 years of acquisition.

: Total income (including capital gain of Tk. 100,000) is Tk. 550,000. Mr. Abrar : Total income (including capital gain of Tk. 100,000) is Tk. 50,50,000.

Mr. Javed: Tax liability on total income (including capital gain): $(Tk. 3.5 lac \times 0\%) + (Tk. 1 lac \times 5\%) +$ lac Capital Gain > 15%)] = Tk. 20,000. Capital gain Is taxed at 15%, and remaining income is taxed at regular

Mr. Abrar: Tax liability on total income (including capital gain):

On first	(including capital gain):					
77. 250	on next Tk. 1,00,000 5% Tk. 5,000	on next	on next Tk. 4,00,000 15%	on next Tk. 5,00,000 20%	25%	Total Tk. 49,50,000
On 100,000 cap	pital gain @ 15%		1 K. OU,UU()	Tk. 100,000	Tk. 825,000	Tk. 10,20,000

On 100,000 capital gain @ 15% = Tk. 15,000. Thus, total tax payable will be Tk. 10,35,000 on total income of Tk.



- (a) In what situations, you may have loss under the head capital gain?
- (b) What is the condition of carry forward of losses under the head?

CLO

9.3

TAX EXEMPTED CAPITAL GAINS

Chapter - 9 Capital Gain

- Capital gains are exempted from taxes in following cases: Capital gain arising from the transfer of capital asset in a scheme of
- Capital gain of a firm arising from transfer of its capital asset to a new company [section 61(3)]. If capital gain arises from the transfer of capital assets of a firm to a new company and if the whole amount of capital gain is invested in the equity of the said company by the partners of the said firm.
- ☐ Capital gain arising from the transfer of Securities approved by SEC and traded in Stock Exchanges in some specific cases [SRO 196/1/17/2015 dated 30/06/2015]: If capital gain arises from the transfer of securities approved by Securities and Exchange Commission (SEC) and traded in Stock Exchanges (e.g., shares, stocks, mutual fund units, bond, debenture or any other types of securities but not government securities in Bangladesh) by any party other than the parties
- Capital gain received by a partner from firm if firm paid taxes on such capital

9.8 CLO

9.1

9.8

CARRY FORWARD OF LOSS [SECTION 70]

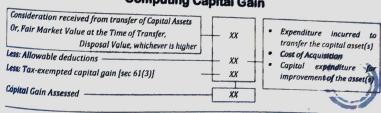
In exceptional situation, it may result capital loss. If the asset is transferred at a value less than the cost of acquisitions, there may be capital losses. It is customary if the capital asset is sold in the year of purchase where no depreciation allowance is allowed and the second-hand value in the market becomes less than the cost in most types of assets. Section 70 provides the provisions for the set-off and carry forward of losses under the head "Capital gains". If capital loss arises in any income year --

- ☐ It can be set off in the same year against capital gain from other capital asset.
- and if no other capital gain exists or if the other capital gain is not sufficient, such loss can be carried forwarded up to a period of six (6) successive years.

EXHIBIT

9.4

Computing Capital Gain



SOLVED PRACTICAL CASES (SPC)



PERSONAL ASSET, ASSET EXTENSION AND IMPROVEMENT, SHARE SALE

Mr. Dixon has incurred the following transactions relating to capital gain during the Mr. Dixon has incurred the following the current year ended on June 30. You are asked to calculate the amount of capital gain the thereon in each of the independent for the purpose of charging income tax thereon in each of the independent situation:

- for the purpose of charging income.

 (a) He has sold a motorcar at Tk. 550,000 that he purchased in 2018 at a cost of Tk.
- (b) Sale of a 3-storied building for Tk. 3.000,000 in December 2024, which was purchased in March 2012 for Tk. 1,800,000. In January 2022, the building was extended at a total cost of Tk. 500,000. The fair value of the building in
- (c) Sold an agricultural land situated in Comilla at a total price of Tk. 2,500,000 which was purchased 5 years back at a total price of Tk. 1,100,000.
- (d) Sold 100 shares of Prime Bank @ Tk. 600 in DSE (brokerage commission 1% of the proceeds). The acquisition price was @ Tk. 200 (brokerage commission 1%).
- (e) Sold a machine, purchased at a price of Tk. 80,000 for the purpose of his business, at a price of Tk. 150,000 at fair market value. Another Tk. 30,000 was spent to improve the machine. At the time of sale, the machine had accumulated depreciation amounting to Tk. 60,000.

Solution

- (a) As the motorcar is a movable property and used exclusively for personal purposes, it does not fall under the category of capital asset as per section 2(77). So, there is no need to calculate the chargeable capital gain.
- (b) Calculation of capital gain from the sale of building: Sale proceeds or fair market value whichever is higher Tk. 3,200,000 less cost of acquisition Tk. 1,800,000 less cost of extension Tk. 500,000. Therefore, capital gain is Tk. 900,000.
- (c) Capital gain will be (Tk. 2,500,000 Tk. 1,100,000) = Tk. 1,400,000.
- (d) The capital gain from the sale of shares is sale proceeds of the shares (100 shares @ Tk. 600) Tk. 60,000 less brokerage commission on sale 1% Tk. 600 less cost of acquisition (100 shares @ Tk. 200) Tk. 20,000 plus brokerage commission on purchase 1% Tk. 200. So, capital gain is Tk. 39,200 and the total amount of this capital gain is exempted from tax.
- (e) Calculation of capital gain from the sale of building: Sale proceeds or fair market value whichever is higher Tk. 150,000 less Cost of Acquisition Tk. 80,000 less Cost of improvement Tk. 30,000. Therefore, Capital Gain is Tk. 40,000.

BROKERAGE FEE, ASSET RENOVATION, EARNEST MONEY

Mr. Zaman purchased an old house in Dhaka in November 2020 for Tk. 15 lac. He has paid 1% as brokerage and subsequently spent Tk. 5 lac for the renovation of the house. On 1st July 2023 he entered into an agreement to sell the property to Mr. Kamran for a consideration of Tk. 50 lac and received earnest money (advance) of

Tk. I lac. As per the terms of the agreement, the balance payment should be made within 90 days of the agreement and if not, the earnest money will be forfeited. As Mr. Kamran could not make the payment within the stipulated time the earnest money was forfeited by Mr. Zaman. Subsequently on 10th June 2024, Mr. Zaman sold the house to Mr. Tareq for Tk. 55 lac. He paid 2% brokerage on sale of the house on which tax has been deducted at sources. The fair value of the house on the date of sale was Tk. 52 lac. Calculate taxable capital gains for the current income year.

Assessee: Zaman		gains for the current income ye	ear
Income under Capital Gains (Assessment Yea	r; 2024 2025	
Disposal value (workings 1)	section 57)	Income Yea	r: 2023 - 2024
Less: Allowable deductions (w Capital gain	orkings 2)		Tk. 5,600,000
Workings 1: Disposal value			2,125,000 Tk. 3,475,000
Value of consideration (note 1) FMV at the time of transfer	Tk. 5,600,000 5,200,000	Workings 2: Allowable deductions Brokerage fee for sale (note 2)	Tk. 110,000
Disposal value (higher one)	Tk. 5,600,000	Cost of acquisition (note 3) Cost of improvements of the asset	1,515,000
Notes: (1) Full value of consider			Tk. 2,125,000

Notes: (1) Full value of consideration received against the capital asset includes the forfeited amount of Tk. 100,000 (2) 2% of Tk. 5,500,000 (3) 1,500,000 + (1,500,000 × 1%).



TRANSFER OF MEMBERSHIP, SPONSOR DIRECTOR

Mr. Jonathon purchased membership of Dhaka Stock Exchanged at a price of Tk. 20 lác in 2015. On 1st July 2023 he has converted his membership into a Company registered under the Company Act, 1994. The conversion value of such membership was Tk. 8,000,000 having 80,000 shares of Tk. 100 par value per share. In December 2022, he sold 10,000 shares of the company at a total value of Tk. 1,100,000.

Tax implications of the case are as follows.

- ☐ Stage 1: Capital gain at the time of transfer of membership is Tk. 6,000,000 (80 lac - 20 lac). But this gain would not be taxed as the whole amount has been invested into the equity of a company registered under the Company Act, 1994.
- Stage 2: Computation of capital gain from the sale of shares: Sale proceeds of shares Tk. 11 lac less cost of acquisition [(20 lac ÷ 80,000) × 10,000] Tk. 250,000; therefore, taxable capital gain is Tk. 850,000 on which applicable tax rate is 5%, as he is a sponsor director.



En. 3

BALANCING CHARGE, DISPOSING ASSETS WITHIN FIVE YEARS

Mr. Andaleeb has purchased a machine at a total cost of Tk. 500,000 on 23rd April 2022 for the purpose of his profession. In addition, he has paid Tk. 10,000 as legal fees. He has spent an additional sum of Tk. 50,000 for improvement of the machine. On 30th December 2023, he had sold the machine at a total price of Tk. 600,000 when the balance of allowable accumulated depreciation was Tk. 126,000 in his books of the balance of allowable accumulated september 100 that date amounts to Tk. 650,000 in the date amounts. But the fair market value (FMV) on that date amounts to Tk. 650,000 in the

He incurred advertisement cost of Tk. 20,000 and 1.5% as brokerage commission on these expenses. He incurred advertisement cost of the sources from these expenses. He has the sale value. Tax has been only deducted a taxable income of Tk. 230,000 from other sources. Compute capital gain, total taxable taxable

Assessee: Andaleeb	Assessment Ye	ar: 2024 – 2025		
Particulars of Total Income		2023	income Yes	ar: 2023 - 2024
Income from business (note 1)			Section	2024
Income under capital gain (working	rs 1)		45	Amount
Income from other sources	<i>31)</i>		57	Tk. 126,000
Total income			66	61,000
				230 nno
Workings 1: Income				Tk. 417,000
Workings 1: Income under Capital Disposal value (workings 2)	Gains			1 1 1 1
Less: Allowable deductions (working	8.6			
Capital gain	gs 3)			Tk. 650,000
- Family				589,000
Workings 2: Disposal value				Tk. 61,000
Tale Proceeds		Workings 3: Allowabl	la ded	7
MV at the time of transfer	Tk. 600,000	Cost of transfer (note 2	e ueauctions	
and the of transfer	650,000	Cost of acquisition (no	2)	Tk. 29,000
Disposal value (1:1		Cost of improvements	(e 3)	510,000
Disposal value (higher one)	Tk. 650,000	provenients	of the asset	50,000
iotes: (1) Balancing charge or reconst				Tk. 589,000

Notes: (1) Balancing charge or revenue gain on sale of machinery, Taka 126,000 [net sale proceeds (650,000 -29,000) Tk. 621.000 less written down value (500,000 + 10000 + 50,000 - 126,000) Tk. 434,000; net gain on sale of machine Tk. 187.000 out of which capital gain is Tk. 61,000. Therefore, balancing charge is Tk. 126,000 (2) Expenditure incurred to transfer the capital asset. Tk. 29,000 (advertisement Tk. 20,000 + commission 1.5% of Tk. 600,000) (3) cost of acquisition is Tk. 510,000 (including cost Tk. 500,000 + legal fees Tk. 10,000).

In this case, tax will be applied at regular rate, as Mr. Andaleeb is a person other than a company disposed the asset within five years.



TRANSFER OF LAND PROPERTY FOR FLATS

Mr. Rex purchased a land in January 2010 at a total cost of Tk. 1,000,000 and constructed a building over the land at a total cost of Tk. 1,500,000 that was solely used for his business. The current fair market value of the land is Tk. 9,800,000. In July 2023, he entered into an agreement with Fortune Properties Ltd and as per the agreement he would get 4 out of 20 flats that the developer would construct total value of those four flats is Tk. 6,880,000. Compute taxable capital gain for Mr. Rex.

Assessee: Rex Income under Capital Gains (s Disposal value (workings 1) Less: Allowable deductions (wo		Chapter - ar: 2024 - 2025 Income Yea	9 Capital Gair
Capital gain	orkings 2)		Amount Tk. 9,800,000
Workings 1: Disposal value Sale Proceeds		Working	73.00.000
MV at the time of transfer Disposal value (higher one)	9,800,000 Tk. 9,800,000	Workings 2: Allowable deductions Cost of acquisition: Land Building	Tk. 1,000,000
TDANCETO		Building	2,500,000



TRANSFER OF BUSINESS OR UNDERTAKING

Mr. Akif Joarder owns a sole proprietorship business. On June 30, 2024, his balance

Asset	mg assets and	liabilities:	124, his balance
Fixed Assets:	Amount (Tk.)	Liabilities and Equity	
Land		Long Term Liability:	Amount (Tk.,
Building	5,00,000	Mortgage Loan	1.000
Delivery Van	800,000	Short Term Liability:	1,000,000
Current Assets:	700,000	Accounts Payable	500.00
Cash	100	Salary Payable	500,000 100,000
Inventories	100,000	Utilities Payable	300,000
Accounts Receivable	400,000	Insurance Payable	100,000
Total Assets		Owner's Equity	1,000,000
*	3,000,000		3,000,000

Mr. Akif performed the following during the year.

- ☐ He transferred the business to Mr. Kashem Halder for Tk. 2,000,000 on June 30,
- ☐ He has paid Tk. 100,000 to Aroma Consultant to support the transfer facilities legally. Tax has been duly deducted from Aroma Consultant for the consultancy

However, the Deputy Commissioner of Taxes believes that the fair market value of the business as on the date of transfer would be Tk. 3,000,000.

Assessee: Mr. Akif Joarder Assessment Year: 2024 - 2025 Income Year: 2023 - 2024

Income under Capital Gains (section 57) Disposal value (workings 1) Less: Allowable deductions (workings 2)

Capital gain

Amount k. 3,000,000 1,100.00

Income Year: 2023 - 2024

Workings 1: Disposal value

Value of consideration FMV of the business Disposal value (higher one)

2,000,000 3,000,000 Tk. 3,000,000

Workings 2: Allowable deductions Expenditure for transfer Book value of net asset

Tk. 100,000 1,000,000 1,100,000

Income Year: 2023 200

1,598,625

1,638,625

1 11

Assessee: Hasan

Accessor Day

FMV at the time of transfer

Disposal value (higher one)

INVESTOR OF DHAKA STOCK EXCHANGE

Mr. Boucher is a regular investor of Dhaka Stock Exchange (DSE) Limited. In July Mr. Bouchet is a regard 1940 shares of Tk. 1,000 par value of IBBL @ Tk. 1,575 Brokerage charge on that time was 1.5% on the gross value of the shares traded in March 2020, Islami Bank declared a cash dividend of Tk. 10 per share and a 1 for s stock dividends when the market value of such shares was Tk. 1,800 each. In December 2023, Mr. Boucher sold 2000 shares including all of the shares that he received as bonus share in 2020 @ Tk. 2,000. On the date of sale, the brokerage charge was 1% on the gross value of shares traded.

Compute the amount of Capital Gain from the sale of shares.

Assessment Year: 2024 - 2025

Assessee: Rex	71350551110111111111		2023 - 2024
Income under Capital G	ains (section 57)		Amount
Disposal value (workings	Disposal value (workings 1)		
Less: Allowable deduction	ons (workings 2)		Tk. 4,000,000 1,638,625
Less: Exempted (note 1)			2,361,375
Capital gain (note)		Nil	
Tax value of new asset (n	note)		Nil
Workings 1: Disposal va	lue	Workings 2: Allowable deduction.	s
Sale Proceeds (2,000 × 2,	(000) Tk. 4,000,000	Cost of transfer (note 2)	Tk. 40,000

Notes: (1) Capital gain on transfer of shares (whether purchased or bonus) is full exempted for an individual investor. (2) Brokerage charge, 1% of 4.000,000 (3) total number of shares sold is 2,000. Number of bonus shares received in March 2020 is 1,000 (5,000/5). So, number of shares sold from original purchase is 1,000 (2,000 -1,000). Cost of 5.000 shares purchased in July 2016 was 7,993,125 as Market value of shares (Tk. 1,575 \times 5000 shares) Tk. 7.875.000 plus brokerage commission (1.5% on 7.875,000) Tk. 118,125. As, cost of 1,000 bonus was nil, proportionate cost of 1,000 shares is Tk. 1,598,625.

4.000,000

Tk. 4,000,000



COMPREHENSIVE PROBLEM

Mr. Hasan runs a business of his own. He has purchased plant and machinery at a cost of Tk. 10,000,000 on 01.01.16. He has paid finders' fee Tk. 50,000 and legal fees Tk. 120,000. He has sold the plant and machinery on 15.07.23 for Tk. 22,000,000. For the sale, he has to pay brokerage fee @ 2% on the gross sales amount receipt. In DCT's

Cost of acquisition (note 3)

opinion, the fair market value (FMV) of the asset at the time of sale is Tk

On 30.06.2024 he has purchased another plant and machinery at a cost of Tk. 10,000,000. He also had Tk. 400,000 as taxable income from rent and another Tk. 200,000 taxable income from other sources.

Compute capital gain and tax liability.

to af Total Income				
Particulars of Total Income	8		Section	Amount (Tk.)
Income under capital gain (w	orkings 1)		36	400,000
Income from other sources	orkings ()		57	11,390,000
Total income			66	200,000
Total income				11,990,000
Workings 1: Income under (Disposal value (workings 2) Less: Allowable deductions (*			22,000,000 10,610,000
Capital gain				11,390,000
Workings 2: Disposal value Sale Proceeds FMV at the time of transfer	Tk. 22,000,000		ote-1)	ns Tk.,440,000
	20,000,000	Cost of acquisition	n (note 2)	10,170,000
Disposal value (higher one)	Tk. 22,000,000			10.610.000

Assessment Year: 2024 - 2025

Notes: (1) Brokerage fees 2% of 22,000,000 (2) cost of acquisition, Tk. 10.170,000 (cost 10,000,000 + finders' fees 50,000 + reg. Fees 120,000) (3) The plant and machinery are qualified as capital asset.

Computation of tax

	Amount	Rate	Tax Payable
On First Taka	350,000	Nil	
On Next Taka	100,000	5%	Tk. 5,000
On Balance Taka	150,000	10%	15,000
On Capital Gain	11,390,000	15%	1,708,500
Total	11,990,000		1,728,500

Here, the assessee is a person other than a company and the asset is sold after 5 years of purchase. So, tax rate will be 15% flat rate.

10,610,000

	KEY POINTS
	Capital gain basically arises on transfer of capital asset if transferred at a value Capital gain from transfer of share/stocks is eventued for the capital gain from transfer of share/stocks is eventued for the capital gain from transfer of share/stocks is eventued for the capital gain from transfer of share/stocks is eventued for the capital gain from transfer of share/stocks is eventued for the capital gain from transfer of capital asset if transferred at a value
	If the ownership comes through succession, inheritance, or devolution, the acquisition shall be the fair market value at such date when the account
	☐ Transfer of capital asset as gift, bequest, will, or an irrevocable trust is not taxable ☐ In case of a person other than a company, on disposal of capital assets with years of acquisition the amount of capital pair will.
	the total
	In case of a company tax rate on capital gain is 15%.
	In case of a company tax rate on capital gain is 15%. No tax will be charged if capital gain arises from the transfer of capital assets being government securities and stocks and shares of public companies listed with a stock exchange in Bangladesh.
	with a stock exchange in Bangladesh.
	with a stock exchange in Bangladesh. No tax will be charged if capital gain arises from the transfer of capital assets of a firm to a new company and if the whole amount of capital gain is invested in the
	equity of the said company by the partners of the said firm.
	Capital losses cannot be set off with income from all
	Capital losses can be carry forwarded for 6 successive years,
M	IUI TIPI E CHOICE OUTCOTIONS
I,	ULTIPLE CHOICE QUESTIONS Capital assets exclude –
J.	Capital assets exclude – (a) Agricultural land (b) Machinery
J.	Capital assets exclude – (a) Agricultural land (b) Machinery (c) Residential building(d) Stock-in-trade Which one is not a transfer for the number of series and the series of series and the series are series as a series and the series are series as a series and the series are series as a series are series are series are series as a series are series are series are series as a series are series as a series are series are series as a series are series as a series are s
J.	Capital assets exclude – (a) Agricultural land (b) Machinery (c) Residential building(d) Stock-in-trade Which one is not a transfer for the purpose of capital gain calculation? –
2.	Capital assets exclude – (a) Agricultural land (b) Machinery Which one is not a transfer for the purpose of capital gain calculation? – (a) Transfer on liquidation (b) Compulsory acquire of the government capital gain calculation?
2.	Capital assets exclude — (a) Agricultural land (b) Machinery Which one is not a transfer for the purpose of capital gain calculation? — (a) Transfer on liquidation (b) Compulsory acquire of the government (d) Auction sale
2.	Capital assets exclude — (a) Agricultural land (b) Machinery Which one is not a transfer for the purpose of capital gain calculation? — (a) Transfer on liquidation (b) Compulsory acquire of the government (d) Auction sale What are the allowable deductions for computing capital gain? — (a) Cost of acquisition
2.	Capital assets exclude — (a) Agricultural land (b) Machinery (c) Residential building(d) Stock-in-trade Which one is not a transfer for the purpose of capital gain calculation? — (a) Transfer on liquidation (b) Compulsory acquire of the government (d) Auction sale What are the allowable deductions for computing capital gain? — (a) Cost of acquisition (b) Cost of improvement (b) Cost of improvement
2.	Capital assets exclude — (a) Agricultural land (b) Machinery (c) Residential building(d) Stock-in-trade Which one is not a transfer for the purpose of capital gain calculation? — (a) Transfer on liquidation (b) Compulsory acquire of the government (d) Auction sale What are the allowable deductions for computing capital gain? — (a) Cost of acquisition (b) Cost of improvement (c) Cost incurred to make it saleable The applicable tax rate on capital gain for a computer (d) All of the above
2. 3.	Capital assets exclude — (a) Agricultural land (b) Machinery (c) Residential building(d) Stock-in-trade (a) Transfer on liquidation (b) Compulsory acquire of the government (c) Sale in open market (d) Auction sale What are the allowable deductions for computing capital gain? — (a) Cost of acquisition (b) Cost of improvement (d) All of the above The applicable tax rate on capital gain for a company is — (a) 15% (b) 25%
2. 3.	Capital assets exclude — (a) Agricultural land (b) Machinery (c) Residential building(d) Stock-in-trade (a) Transfer on liquidation (b) Compulsory acquire of the government (c) Sale in open market (d) Auction sale What are the allowable deductions for computing capital gain? — (a) Cost of acquisition (b) Cost of improvement (d) All of the above The applicable tax rate on capital gain for a company is — (a) 15% (b) 25%
2. 3.	Capital assets exclude — (a) Agricultural land (b) Machinery (c) Residential building(d) Stock-in-trade (a) Transfer on liquidation (b) Compulsory acquire of the government (d) Auction sale What are the allowable deductions for computing capital gain? — (a) Cost of acquisition (b) Cost of improvement (d) All of the above The applicable tax rate on capital gain for a company is — (a) 15% (b) 25% (c) 30% (d) 40% Capital gain arising from the sale of is tax exempted for an individual? —
2. 3. 4.	Capital assets exclude— (a) Agricultural land (b) Machinery Which one is not a transfer for the purpose of capital gain calculation?— (a) Transfer on liquidation (b) Compulsory acquire of the government (c) Sale in open market What are the allowable deductions for computing capital gain?— (a) Cost of acquisition (b) Cost of improvement (c) Cost incurred to make it saleable The applicable tax rate on capital gain for a company is— (a) 15% (b) 25% (c) 30% (d) 40% (a) land (b) plant and machinery used for business
2. 3. 4.	Capital assets exclude— (a) Agricultural land (b) Machinery Which one is not a transfer for the purpose of capital gain calculation?— (a) Transfer on liquidation (b) Compulsory acquire of the government (c) Sale in open market What are the allowable deductions for computing capital gain?— (a) Cost of acquisition (b) Cost of improvement (c) Cost incurred to make it saleable The applicable tax rate on capital gain for a company is— (a) 15% (b) 25% (c) 30% (d) 40% is tax exempted for an individual?— (b) plant and machinery used for business (d) building
2. 3. 4.	Capital assets exclude — (a) Agricultural land (b) Machinery Which one is not a transfer for the purpose of capital gain calculation? — (a) Transfer on liquidation (c) Sale in open market What are the allowable deductions for computing capital gain? — (a) Cost of acquisition (b) Compulsory acquire of the government applicable tax rate on capital gain? — (b) Cost of improvement (c) Cost incurred to make it saleable The applicable tax rate on capital gain for a company is — (a) 15% (b) 25% (c) 30% (d) 40% is tax exempted for an individual? — (b) plant and machinery used for business (d) building
2. 3. 4.	Capital assets exclude— (a) Agricultural land (b) Machinery Which one is not a transfer for the purpose of capital gain calculation?— (a) Transfer on liquidation (b) Compulsory acquire of the government (c) Sale in open market What are the allowable deductions for computing capital gain?— (a) Cost of acquisition (b) Cost of improvement (c) Cost incurred to make it saleable The applicable tax rate on capital gain for a company is— (a) 15% (b) 25% (c) 30% (d) 40% Capital gain arising from the sale of————————————————————————————————————
2. 3. 4.	Capital assets exclude— (a) Agricultural land (b) Machinery Which one is not a transfer for the purpose of capital gain calculation?— (a) Transfer on liquidation (b) Compulsory acquire of the government (d) Auction sale What are the allowable deductions for computing capital gain?— (a) Cost of acquisition (b) Cost of improvement (c) Cost incurred to make it saleable The applicable tax rate on capital gain for a company is— (a) 15% (b) 25% (c) 30% (d) 40% Capital gain arising from the sale of————————————————————————————————————
2. 3. 4.	Capital assets exclude — (a) Agricultural land (b) Machinery Which one is not a transfer for the purpose of capital gain calculation? — (a) Transfer on liquidation (b) Compulsory acquire of the government (c) Sale in open market What are the allowable deductions for computing capital gain? — (a) Cost of acquisition (b) Cost of improvement (c) Cost incurred to make it saleable The applicable tax rate on capital gain for a company is — (a) 15% (b) 25% (c) 30% (d) 40% Capital gain arising from the sale of
2. 3. 4.	Capital assets exclude — (a) Agricultural land (b) Machinery Which one is not a transfer for the purpose of capital gain calculation? — (a) Transfer on liquidation (b) Compulsory acquire of the government (c) Sale in open market What are the allowable deductions for computing capital gain? — (a) Cost of acquisition (b) Cost of improvement (c) Cost incurred to make it saleable The applicable tax rate on capital gain for a company is — (a) 15% (b) 25% (c) 30% (d) 40% Capital gain arising from the sale of
2. 3. 4. 5.	Capital assets exclude — (a) Agricultural land (b) Machinery (c) Residential building(d) Stock-in-trade Which one is not a transfer for the purpose of capital gain calculation? — (a) Transfer on liquidation (b) Compulsory acquire of the government what are the allowable deductions for computing capital gain? — (a) Cost of acquisition (b) Cost of improvement (c) Cost incurred to make it saleable The applicable tax rate on capital gain for a company is — (a) 15% (b) 25% (c) 30% (d) 40% Capital gain arising from the sale of is tax exempted for an individual? — (a) land (b) plant and machinery used for business (d) building Which of the following statement is true — (a) No tax is applicable on capital gain for an individual assessee (b) 15% tax will be charged on capital gain for a company (c) Tax will be charged at an average rate on capital gain for an individual assessee (d) Capital gain is the difference between sales proceeds and WDV What is the rate of tax on capital gain for an individual if the gain arises within 6 to the sale of the capital gain for an individual of the gain arises within 6 to the sale of the capital gain for an individual of the gain arises within 6 to the sale of the government sale of the government sale.

9. How long the losses under the head capital gain can be carried for any other head(s) (a) 6 years (b) 4 years (c) Tk. 7,000, how much of it can be carried for the head capital gain can be carried forward— (c) 2 years (d) None of the head capital gain can be set off against income can be carried forward— (d) Next years	
TRUE (T) OR FALSE (F) IDENTIFICATION 1. Capital gain arises from transfer of capital assets at higher than written down value. 2. Government may acquire the asset if the fair market value exceeds the full value of the consideration declared by more than 15% of such declared value. 3. In case of an individual, capital gain will be taxed at regular rate if the constant of the co	T F
acquisition shall be the fair market value of the asset.	
DISCUSSION QUESTIONS (DQ) DQ9.1 Define capital gain and explain computation procedure of capital gain. DQ9.2 'Capital Asset' means property of any bind to the computation procedure of capital gain.	□ T □ F

- seans property of any kind held by the assessee, whether or not connected with his business or profession, but does not include all assets" - explain. pQ9.3 Explain the allowable deductions under the head capital gain.
- DQ9.4 "In computing capital gain, fair market value is important" do you agree? Explain. DO9.5 Under what circumstances do you think capital gains are exempted from taxes?
- DQ9.6 "Tax rate on capital gain varied with different types of assessee" explain.

- DO9.7 Specify the provisions of set off and carry forward of losses under the head "Capital Gain".
- DQ9.8 Write short note on:

 Capital assets

 Transfer

 Fair market value

 Carry forward of

PROBLEM CASES (PC)

PC9.1: Fill in the	blanks with appropriate word:
□ I641 01	appropriate word:

	If the fair most
	The fall market value exceeds the full value of the
	If the fair market value exceeds the full value of the consideration declared in respect of capital asset transferred, by an amount of not less than of the value so declared, the fair market value shall be detailed.
	value and disserted, by an amount of not less than
	value so declared, the fair market value shall be determined of the
	value so declared, the fair market value shall be determined again with the permission of IJCT.
ч	in case of an individual, capital gain will be touch at
	In case of an individual, capital gain will be taxed at if the asset is disposed after 5 years of acquisition.
Ц	If any asset is transferred at a value less than the cost of acquisitions, there may
	both a partition of a value less than the cost of acquisitions, there may
	of the possibility of having capital
	Canital loss can be carried forward for not many about
	Capital loss can be carried forward for not more than successive years.
	,

PC9.2: Mr. Ahsan is a member of Dhaka Stock Exchange who purchased such membership at a price of Tk. 300,000 in 2010. On 1st July 2017 he has converted his membership into a Company registered under the Company Act, 1994. The membership into a Company 158 membership was Tk. 8,000,000 having 80,000 shares of taka 100 par value per share. In July 2023, he sold 1,000 shares of the company at a total value of Tk. 150,000. Discuss the tax implications.

PC9.3: Mr. Rahman has purchased a machine at a total cost of Tk. 800,000 on 23rd April 2016 for his profession. In addition, he has to pay Tk. 50,000 as legal fees He has spent an additional sum of Tk. 50,000 for improvement of the machine. On 30th December 2023, he had sold the machine at a total price of Tk. 1,000,000 when the balance of allowable accumulated depreciation was Tk. 400,000 in his books of accounts. But the fair market value on that date was Tk. 950,000 in the opinion of DCT. He incurred advertisement cost of Tk. 70,000 and 1.5% as brokerage commission on the sale value in relation to the sale. He has taxable income of Tk. 330.000 from other sources. Compute taxable income and specify tax rate thereon

PC9.4: Mrs. Joarder runs a business of her own. She has purchased a piece of land at a cost of Tk. 90 lac on 01.01.12 within the jurisdiction of Khulna Municipality having a total population of around 30,000 according to the last census. She paid Tk 30.000 as finders' fee and another Tk. 100,000 as registration fee for the land. She has sold the land on July 15, 2023 at a price of Tk. 20,000,000. For the sale, she has to pay brokerage fee @ 2% on the gross sales amount receipt. In DCT's opinion, the fair market value of the land at the time of sale is Tk. 18,000,000. On July 30, 2023 she has purchased another land at a cost of Tk. 10,000,000. She also had Tk. 400,000 as taxable income from rent and another Tk. 100,000 taxable income under the head 'income from other sources'. Compute the amount of capital gain and tax liability,

PC9.5: Mr. White is a regular investor of Chittagong Stock Exchange (CSE) Limited. In July 2011, he has purchased 50,000 shares of Tk. 100 par value of EXIM Bank Ltd @ Tk. 475. Brokerage charge on that time was 1.5% on the gross value of the shares traded. In March 2013, EXIM Bank declared a cash dividend of Tk. 10 per share and a 1 for 4 stock dividends when the market values of such shares were Tk. 600 each. In December 2023, Mr. White sold 15,000 shares including all of the shares that he received as bonus share in 2013 @ Tk. 800. On the date of sale, the brokerage charge was 1% on the gross value of shares traded. Compute the capital gain.

PC9.6: Mr. Jalil lives in Mirpur, Dhaka. He works in a private limited company from which his total salary income is Tk 200,000. He also owns a house from which his income is Tk. 300,000. He runs a business of his own. He has purchased a Machine at a cost of Tk. 20,00,000 on 01.01.16. He has paid agents fee Tk. 50,000 in this regard. He has sold the machinery on 15,07.23 for Tk. 25,00,000. For the sale, he has paid brokerage fee @ 2% on the gross sales amount receipt. In DCT's opinion,

the fair market value (FMV) of the asset at the time of sale is Tk. 26,00,000. He also had Tk. 200,000 as taxable income from interest on securities and another Tk. 100,000 taxable income from other sources. Compute capital gain and tax liability.

PC9.7: Mr. Latif has two motor cars which are used by him exclusively for his personal purposes. The cost of the cars was Tk. 6,50,000 and Tk. 8,00,000. The first car was transferred by him on 15.1.2024 to a firm in which he is a partner as his capital contribution. The market value of the car as on 15.1.2024 is Tk. 5,00,000, but it was recorded in the books of account of the firm at Tk. 6,00,000. Compute the

ANSWERS

MULTIPLE CHOICE QUESTIONS TRUE/FALSE

SELF - REVIEW 9.1

- (a) The following expenses are allowable deductions under the head:
 - ☐ Any expenses incurred for the transfer of capital asset;
 - The cost of acquisition of capital assets and other capital expenditure incurred for improvements thereto.
- (b) Capital gain is charged at different rate as given in the seventh schedule of JT Act, 2023. The rates as per the schedule are given below:
 - ☐ For assessee being a company at the rate of 15%
 - ☐ For assessee being a person other than a company
 - if disposed within 5 years of acquisition, will be taxed at regular rate
 - if taxed after 5 years, the rate will be the lower of regular or 15%

SELF - REVIEW 9.2

- (a) Loss under the head 'capital gain' is somewhat exceptional, If capital assets are transferred at a value less than the cost of acquisition, it results capital loss. It is customary to have capital loss under the following two situations:
 - If the capital asset is sold as second hand in the year of purchase when no depreciation allowance is allowed; and
 - ☐ If motor vehicles not plying for hire is purchased at more than ten lakh taka as the actual cost shall be deemed not to exceed ten lakh taka for the purpose of depreciation allowance.
- (b) Such loss can be carried forward for 6 successive years for set off only against the income from such head.

Income from Financial Assets

"Where there is an income tax, the just man will pay more and the unjust less on the same amount of income." - Plato

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

CLO 10.1 understand the concept of income from financial assets

CLO 10.2 identify different types of securities

CLO 10.3 apply taxability on different types of securities

CLO 10.4 recognize various categories of savings instruments

CLO 10.5 apply TDS on income from the interest on securities

CLO 10.6 chargeability of tax on interest / profit on deposit

CLO 10.7 chargeability of tax on dividend

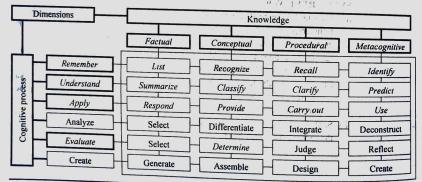
CLO 10.8 compute tax liability on income from fin. assets

KEY TERMS

Interest, Securities, Zero coupon bond, Grossing up. Admissible expenses, Cum-interest, Ex-interest. Bond washing, Dividend, Interest / Profit, Savings instruments

Bloom's Taxonomy

This chapter covers (italic) the entire knowledge dimension and four levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



GLO

10.1

INTRODUCTION

Chapter - 10 Income from Financial Assets "Income from Financial Assets" is the sixth head in computing the total income of an assessee. An assessee may invest his funds in various types of securities, shares, different schemes in bank and financial institutions. The income received as interest from those securities and financial schemes, dividend etc. will be taxable under the head income from financial assets. ITA 2023 defines the following in this regard.

The Shorter Oxford English Dictionary defines the word "security" as a "document held by a creditor as guarantee of his right to payment". Thus, securities are financial instruments that represent a creditor relationship with a corporation or government. These represent agreements to receive a certain amount depending on the terms contained within the agreement. According to section 2(87) of the Income Tax Act

- Any Treasury Bill, Bond, Savings Certificate, Debenture, Sukuk or Shariah based
- ☐ Any Shares or Stock, Instruments issued against Mortgage or Charge or Hypothecation, Bond, Debenture, Derivatives, Units of Mutual Fund or Alternative Investment Fund or any Joint Investment Scheme, Sukuk or Shariah based securities and warrant in respect of the above-mentioned instruments issued

Provided that, it shall not include any currency or note, draft, check, letter of exchange, bank's acceptance letter, trade receivables or trade payables.

Interest

Generally, the term "Interest" means the price that someone pays for the temporary use of someone else's funds. According to section 2(88) of the Income Tax Act (ITA), 2023

- interest payable in any manner in respect of any financial support, e.g. loan, of the said borrowings, trade credit, advances, securities or guarantee;
 - any service fee or other charge in respect of the money borrowed or debt incurred.

But the costs incurred for collecting the money or capital will not be included here. SOUND FROM THE PROPERTY AND ADDRESS ASSETTS

Dividend

Generally, the term "Dividend" refers to a reward, cash or otherwise, that a company gives to its shareholders out of its profits (or reserves). According to section 2(81) of the Income Tax Act (ITA), 2023 - 'Dividend' includes -

Distribution out of profits and release of assets or reserves: Any distribution by a teques, 1 7 company of accumulated profits, whether capitalized or not, if such distribution entails the release by the company to its shareholders of all or any part of its assets or reserves;

□ Distribution of debentures to shareholders: Any distribution by a company, to the extent to which the company possesses accumulated profits, whether capitalized or not, to its shareholders of debentures, debenture-stock or deposit certificates in any form, whether with or without interest; □ Distribution on liquidation of the company: Any distribution made to the shareholders of a company on its liquidation to the extent to which the distribution is attributable to the accumulated profits of the company immediately before its liquidation, whether capitalized or not;	Any deposit; kept in any form/name, in a bank or financial Assets Any financial asset, product or scheme; Any capital gain received against the transfer of financial assets shall not be included gain or losses from such disposal will be considered as capital gain or loss; hence this from such event will be
Distribution to shareholders on the reduction of capital: Any distribution by a company to its shareholders on the reduction of its capital, to the extent to which the company possesses accumulated profits, whether such accumulated profits have been capitalized or not;	from such event will be recorded under the head "Income from Financial Assets". Rather, any gain Bank Ltd. Vs. C.I.T. (1955) I.T.R. 167].
☐ Profit remitted outside Bangladesh by a company not incorporated in Bangladesh under The Company Act 1994;	111 4 PASIS ()F TAVANIA
☐ Distribution of Profit of a Mutual Fund, Real Estate Investment Transport	According to coast
I loans to shareholders of a limited assured	assets will be taxed in the year of actual receipt or year when it is credited into accounts, on the face value of security the receivable indicates gross interest calculated.
Loans to shareholders of a limited company: any payment by a company of any sum (whether as representing a part of the assets of the company or otherwise) by way of advance or loan to a shareholder or any payment by company or otherwise) by	whichever happens first. Although interest receipt or year when it is credited into accounts, on the face value of security, the assessee receives net interest calculated source tax deducted at specified rate.
way of advance or loan to a shareholder or any payment by any such company on behalf, or for the individual benefit, of any such shareholder as at	Fred rate.
behalf, or for the individual benefit, of any such shareholder, to the extent to which the company, in either case, possesses accumulated profit;	As income from financial assets is a separate head of income, therefore, even if the bank, an insurance companies within the course of any business undertails.
The term "Dividend" does not included to City	securities are held as trading assets within the course of any business undertaken by a charged under the head "Income from Financial Assets" and not under set the lincome from business undertaken by a charged under the head "Income from Financial Assets" and not under set the lincome from business and not under set the lincome from business and not under set the lincome from business.
The term "Dividend" does not include the following items: a distribution made in accordance with sub-clause (c) or sub-clause (d) in respect of any share including preference share for fall and	charged under the head "Income from Financial Assets" and not under section 45 as income from business or under section 66 as income from other sources.
	The other sources.
entitled in the event of liquidation to participate in the surplus exercises	10.4 CONDITIONS FOR TAXATION
any advance or loan made to a shareholder in the ordinary courses as it.	According to section 62 of the ITA, 2023, the following conditions should be met in 10.1 10.3 According to section 62 of the ITA, 2023, the following conditions should be met in Income must be received as interest Profit Discussions.
any dividend paid by a company which is set off by the company;	10.3 Income must be received as intermediate from Financial Assets".
or any part of any sum previously paid by it and treated as divided and any	Other than the government securities issued or approved by the government;
meaning of sub-clause (g) to the extent to which it is to set off. any bonus share issued by a company;	securities issued by local authorities and companies;
	Interest must be received from deposits kept in banks or financial institutions; and Dividend within the meaning under section 2(81).
SCOPE OF "INCOME FROM FINANCIAL ASSETS"	
recording to section 62 of the ITA 2023, the following in a section 62 of the ITA 2023, the ITA 2	will be included under the head "Income from Other Sources"
be classified and computed under the head 'Income from Financial Assets'. Interest, Profit, or Discount receivable by the assessee on any security of the Government or any security of the	Investment income except from securities of government or compensations
	interest on capital and loan from a person or partnership business
Total of Discount receivable by the	Interest on securities issued by any individual, Partnership Firm, Association of Persons (AOP), Club etc.
securities of money issued by or on behalf of a local authority or a company [section 62(b)];	Gain, on sale of securities.
Interest or Profit receivable from the following sources; namely:	Interest receivable from securities issued by any foreign government.
and the following sources; namely:	☐ Interest received from a company on a Book-Debt/accounts receivable balance.

CLO 10.1 10.3

10.2

10.5 CLO

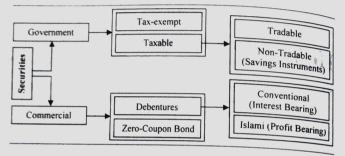
10.2

10.3

10.4

CLASSIFICATION OF SECURITIES

According to section 62 of the ITA, 2023, securities can be broadly categorized into According to section of or the transfer and commercial securities. Government securities can be two categories, government and commercial securities. The committee can be two categories, government and example government securities. The securities other than classified as tax-exempt and taxable government securities are known as commercial securities. In Bangladesh, two types of commercial securities are issued by local authorities and companies: debentures and zero-coupon bonds. Following figure depicts different classes of securities.



Government Securities

A Government Security is an interest-bearing instrument issued by sovereign Government. It acknowledges the Government's debt obligation. Such securities are short term (usually called treasury bills, with original maturities of less than one year) or long term (usually called Government bonds or dated securities with original maturity of one year or more). These are the securities issued by the Bangladesh government. Based on tax chargeability, they can be classified into two categories: Taxexempt government securities and Taxable government securities:

- □ Tax exempt government securities: These are the securities issued by the government with the condition that interest thereon shall not be liable to tax. Income from interest on tax-exempt government securities is not included in computation of taxable income. At present, no tax-exempt securities are prevailing in Bangladesh
- ☐ Taxable government securities: These are the government securities on which tax is deducted at source at specified rate. So, the assessee receives net amount of interest, and it is to be grossed up before including in income. Interests on these securities are fully taxable. Government securities which are traded in the secondary market are known as tradable government securities on which 5% TDS is applicable on discount, interest or profit on securities at the time of making payment or credit, whichever is earlier U/s 106. Savings instruments are also issued by the government but are not tradable in the secondary market. 10% TDS is also applicable on interest on savings instruments, as the case may be, as per section 105.

EXHIBIT

Chapter - 10 Income from Financial Assets

Tax - exempt Vs. Taxable G

10.1

	TDS	Tax-exempt Government Securities	nment Securities
•	Grossing	Grossing up in	Taxable Government Securities Applicable @ 5% on interest
	Allowable deductions	Not applicable	of interest is received after deducting tax.
•	Impact on average tax rate	there is no impact on average town.	Applicable to the extent of expenses as per section 64. As it is included in total income it causes
		age tux rate.	an increase in average rate of the

As it is included in total income, it causes an increase in average rate of tax.

Commercial Securities

According to section 62(b), securities which are approved by the Bangladesh Securities and Exchange Commission (BSEC) and issued by or on behalf of a local authority or a company will be considered as commercial securities.

- ☐ Debentures: These are the commercial securities approved by the BSEC and issued by or on behalf of a local authority or a company. 5% tax is deducted at source from the interest on such commercial securities/debentures. So, the interest amount received by the assessee is net amount and hence further grossing up is required to calculate the gross amount of interest. Interest income from debentures is fully taxable. Debentures can be conventional (interest bearing) or Islami (profit bearing) on which 5% TDS is applicable u/s 106. Some of the debentures available
 - Aramit Cement Ltd. (Deb-14%)
 - Bangladesh Luggage Ind. Ltd. (Deb-14%)
 - BD Welding Electrodes Ltd. (Deb-15%)
 - Bangladesh Zipper Ind. Ltd. (Deb-14%)
 - Beximco Denims Ltd. (Deb-14%)
 - Beximco Fisheries Ltd. (Deb-14%)
 - Beximco Knitting Ltd. (Deb-14%)
 - Beximco Textiles Ltd. (Deb-14%)
 - IBBL Mudaraba Perpetual Bond (Islami)
- ☐ Zero Coupon Bond: A Zero-coupon bond (also called a discount bond or deep discount bond) is a bond bought at a price lower than its face value, with the face value repaid at the time of maturity. It does not make periodic interest payments. or so-called "coupons," hence the term zero-coupon bond. Any income derived from approved Zero-coupon bond (approved by Bangladesh Bank and SEC) received by a person other than Bank, Insurance or any Financial Institution is fully exempted from tax [6th Schedule, Part 1, Para 25]. 5% tax is deducted at source from the income received from zero coupon bond if it is received by any Bank. Insurance, or any Financial Institution.



Mr Blagsh has received interest from the following securities. Calculate his income Mr Billiash has received interest (remained independently) - (a) interest received The received from securities (evaluate each over mount securities (b) interest received Tk. 19,000 from non-exempt government securities (b) interest received Tk. 19,000 from 16.500 from tax-exempt government securities (c) invested Tk. 210,000 last year in a 12% tax-exempt to 200 last year in 12% tax-exempt to 200 last year in 12% taxable and the 200 last year in 12% taxable and taxable tanable government securities (d) invested Tk. 200,000 last year in 12% taxable government

10.6 an

10.5

10.8

TDS ON INCOME FROM FINANCIAL ASSETS

The shall be deducted on income from financial assets as per the following provisions:

Interest on Securities [Section 106]

Am person responsible for issuing a security of the Government, or security approved Any person responsive to the Securities and Exchange Commission, shall collect by the Government or Bangladesh Securities and Exchange Commission, shall collect income-tax at the rate of five percent (5%) on discount, interest, or profit on securities at the time of making payment or credit, whichever is earlier.

TDS from interest on saving deposits and fixed deposits, etc. [Section 102] Notwithstanding anything contained in the ITA, 2023 or any other law for the time being in force, any person responsible for paying to a resident any sum by way of unterest or share of profit on any saving deposits or fixed deposits or any term deposit maintained with any person engaged in banking, insurance, leasing, financing, post office banking, co-operative or mobile financial services, shall deduct, at the time of credit of such interest or share of profit to the account of the payee or at the time of payment thereof, whichever is earlier, income tax on such sum at the rate provided in the following table-

	Where the payee is a Trust, Association of Persons, and company 20%*
•	Where the payee is a Primary Educational Institution, professional institutes of Chartered Accountants, Cost and Management Accountants or Chartered Secretaries
•	Any other payee, other than mentioned in above two categories 10%**

The rate of TDS will be 50% higher i.e. 30% if the payee fails to provide the PSR (Proof of the Submission of the Return).

TDS deducted on the above-mentioned interest income on savings deposits or fixed deposits etc. earned by the taxpayers on whom return submission is not mandatory [(w/s 166(2)] will be considered as final payment of tax [SRO 253-Law/IT-09/2023 dated Chapter - 10 Income from Financial Assets

W 10

Deduction at source from interest on saving instruments [Section 105]

Notwithstanding anything contained in any other provision of this Act or any other law being in force in respect of exemption from tax on interest of savings instrument purchased by an approved superannuation fund or pension fund or gratuity fund or a recognized provident fund or a workers' profit participation fund, any person responsible for making any payment by way of interest on any savings instruments shall, at the time of such payment, deduct income tax @ 10% on such interest;

Provided that no tax shall be deducted under this section where the cumulative investment at the end of the income year in the pensioners' savings certificate that does not exceed five lakh taka. Provided further that no tax shall be deducted from interest or profit arising from Wage earners development bond, US dollar premium bond, US dollar investment bond, Euro premium bond, Euro investment bond, Pound sterling investment bond or Pound sterling premium bond.

TDS deducted on the above-mentioned interest income of savings certificates owned by any individual taxpayer will be considered as final payment of tax [SRO 253-Law/IT-

Deduction of tax from dividends [Section 117]

The principal officer of a company registered in Bangladesh, or of any other company, shall, at the time of paying any dividend to a shareholder, deduct tax on the amount of such dividend, in the case of a resident or a non-resident Bangladeshi-

- ☐ if the shareholder is a company, at the rate applicable to a company;
- ☐ if the shareholder is a person other than a company, @ ten per cent (10%) where the person receiving such dividend furnishes his Taxpayer's Identification Number (TIN) to the payer or fifteen per cent (15%) where the person receiving such dividend fails to furnish his Taxpayer's Identification Number (TIN) to the payer:

Provided that the provision of this section shall not be applicable to any distribution of taxed dividend to a company if such taxed dividend enjoys tax exemption under the provisions of the paragraph 32 of Part I of the Sixth Schedule. **GROSSING UP OF INCOME FROM FINANCIAL ASSETS**

10.7

CLO 10.3 10.5

Taxable income under the head 'Income from Financial Assets' must be the gross amount and not the net amount. If any TDS is applied on such income, the income received by the assessee will be the net income and hence needed to be grossed up to compute the gross amount. This gross amount will be considered in the computation of taxable income. The formula for grossing up of income is:

Gross income = Net income × [100 + (100 - rate of tax deducted at source)]

^{••} The rate of TDS will be 50% higher i.e. 15% if the payee fails to provide the PSR (Proof of the Submission of the Return).

When to Gross - up Income from Financial Assets?

Case 1: Mr. X has received Tk. 9,500 as interest on taxable government securities/debentures. Since the current Case 1: Mr. X has received Tk. 9,500 as interest on tunners will be: Tk. $[9,500 \times 100/95] = Tk. 10,000$.

Case 2: But if the value of taxable government securities/debentures is given, it will be possible to compute the Case 2: But if the value of taxable government securities/section and the compute the gross interest directly. Such as, the value of Mr. X's 10% taxable government security (TGS)/debenture (D) is T_k .

1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	- 1K. 20,000.			(D) is T_k
If interest amount is given	TEGS	_TGS_	CS/D	7Ch
Example: Mr X's interest income from securities is Tk. 4,500 is grossing up required?*				FCR
Taxable income for the given example (TV)	No	Yes	Yes	
If value of securities is given	4,500	5,000	5,000	No 4,500••
Example Mr X invested Tk. 90,000 in 10% securities				7,300••
Is grossing up required? Taxable income for the given example (Tk.)	No	No	No	
The state for the given example (1k.)	9,000	9,000	9,000	N/A
Here TECC				N/A

Here, TEGS = tax-exempted government securities, CS = commercial securities, ZCB = zero coupon bond,

Case 3: Mr. X has received Tk. 9,000 as interest on deposits from Bank/Financial Institution. Since the current rate of tax deducted at source is 10%, the amount of gross interest will be: Tk. $[9,000 \times 100/90]$ = Tk. 10,000.

Case 4: Mr X has received Tk. 9,000 as dividend from Prime Bank Limited for holding some shares in it. Since the TDS rate is 10% (assuming he has TIN), the amount of gross dividend will be: Tk. [9,000 × 100/90] = Tk. 10,000.

Case 5: Mr. X has received Tk. 90,000 as interest on Bangladesh Savings Certificate. His total investment in savings certificate is Tk. 700,000. Since the TDS rate is 10%, the gross interest is Tk. [90,000 × 100/90] = Tk. 100,000.

Case 6: Mr. X has received Tk. 30,000 as interest on Bangladesh Savings Certificate. His total investment in Bangladesh Pensioner Savings Certificate is Tk. 400,000. Since no TDS is applicable in this case, the amount of

ADMISSIBLE AND INADMISSIBLE EXPENSES

In computing the income under the head "Income from Financial Assets", the following deductions from respective incomes are allowable [section 64].

- □ Bank commission/charges for collecting interest: Bank commission or charges which have been deducted by the bank for collecting interest will be an allowable expense. But no expense is allowable in case of interest on securities which are fully exempted from tax. Moreover, if bank commission is charged for purchasing securities, it will be considered as a capital expenditure and hence not to be considered as an allowable expense.
- Interest on borrowed capital for investment in financial assets: Any interest on money borrowed for the purpose of investment in the financial assets by the assessee will be

an allowable expense. But no such expense is allowable in case of interest on Any other expenses incurred to earn the said income. However, notwithstanding anything contained in this chapter, no deduction shall be any interest payable outside Bangladesh on which tax has not been paid or deducted in accordance with the provisions of TDS. in case of income from financial assets fully exempted from tax. Any capital expenditure or personal expenses.

10.9

CLO 6.6

10.3

10.8

W 45 30.00

2: 111

TAX EXEMPTION ON INCOME FROM FINANCIAL ASSETS

The following incomes from financial assets are exempted as per the Income Tax Act,

- ☐ Any sum or aggregate of sums of interest from pensioners' savings certificate where the total accumulated investment at the end of the relevant income year in such certificate does not exceed Tk. five lakh [6th Schedule, Part 1, Para 9].
- ☐ Any income received by an assessee from Wage earners development bond, US dollar premium bond, US dollar investment bond, Euro premium bond, Euro investment bond, Pound sterling investment bond or Pound sterling premium bond
- Amount of interest/income from BB or BSEC approved zero-coupon bond (for individual assessee) [6th Sched, Part 1, Para 25].
- $\hfill \Box$ any distribution of taxed dividend to a company, if separate records are maintained by the issuer company for this purpose [6th Sched, Part 1, Para 32]

CUM - INTEREST AND EX - INTEREST TRANSACTIONS CLO

Generally, interest on securities is given on a particular day at regular intervals. It is added with the total income for tax purpose when received. Sometimes to avoid tax on interest, the securities holder may sell or transfer the securities including interest just before the due date. This is known as Cum Interest Transaction. Since securities are capital asset, no tax is given on the disposal value of the securities.

According to the ITA, 2023, when securities are sold cum interest, the purchaser or holder of securities will be responsible to pay the tax on whole interest. Here, the seller will not pay any tax for the interest included in the sales price of securities. The reverse is the case for ex-interest transactions. Here the seller and purchaser will be assessed for interest with reference to the period for which the securities are held by the seller and the purchaser (i.e. interest income will be computed and assessed on the basis of proportionate time duration of holding the security by the seller and the buyer). There is wide scope to avoid tax in this way and section 242 has given sufficient authority to the DCT to handle those cases of tax avoidance.

CLO

10.1 10.2 10.3

316

[•] Grossing up is required only when interest amount of taxable government securities/debentures is given,

^{**} Income from zero-coupon bond received by any bank, insurance or financial institution need to be grossed up

Computing Taxable Income from Financial Assets

Case 1: Calculate taxable income from the given data: Total gross interest on tax-exempt government securities

Th. 6,000; Total gross interest from the given data: Case 1: Calculate taxable income from the given unit. For the given the give

The meaning of the coupon bona The 5,000 received by an marviadur,			-coenture,
Interest on tax-exempt government securities Less: exempted (full)	Tk.	5,000 5,000	
Interest on taxable government securities			Tk.
Interest on debentures			6,000
Income from zero-coupon bond Less: exempted (full)	Tķ.	3,000	4,000
Total	4 %	3,000	0 01
Case 2: Calculate toucht - transfer			Tk. 10,000

Case 2: Calculate taxable income from the given data: Interest on tax-exempt government securities Tk. 5,000: Case 2: Calculate taxable income from the given data interest on debentures Tk. 24,700; and Income from BD Interest on taxable government securities Tk. 4,750; Interest on debentures Tk. 24,700; and Income from BD Interest on taxable government securities that the securities are individual (Total investment in Pensioner Savings Certificate Tk. 5,000 received by an individual (Total investment in Pensioner Savings

				- wings
Interest on tax-exempt government securities Less; exempted (full)			Tk. 5,000	
complete (july)			5,000	
Interest on taxable government securities [4,750	× 100 ÷ (100 - 511		Tk.
Interest on debentures [24,700 \times 100 \div (100 \div 5)]	100 . (2	100 - 3))		5,000
Income from Pensioner Savings Certificate				26,000
Less: exempted (full)			Tk. 5,000	,000
Total	*,		5,000	_
				Tk. 31,000
Cana 2. Calantara A. Calantara				-,000

Case 3: Calculate taxable income from the given data: Interest on Wage Earners Development Bond Tk. 5,000: Interest on Bank Deposits Tk. 4,500; Dividend from Prime Bank/ Mutual Fund Tk. 22,500; and Interest on Savings Certificate Tk. 45,000 received by an individual (Total investment in Savings Certificate is Tk. 600,000).

Interest on Wage Earners Development Bond Less: exempted (full)	2-12 17 17 12	Tk. 5,000 5,000	
Interest on fixed deposits (4,500 × 100/100 · 10) Dividend from Prime Bank / Mutual Fund (22,500 × 100/ Income from Savings Certificate (45,000 × 100/100 · 10) Total	100 - 10)	Tk. 5,000 25,000 Tk. 80,000	0



Mr. All has received interest from following securities. Calculate his taxable income.

- (a) Total gross interest on tax-exempt government securities Tk. 5,000.
- (b) Total gross interest on taxable government securities Tk, 4,000.
- (c) Total gross interest on debentures Tk. 26,000.
- (d) Income from zero-coupon bond received by an individual Tk. 2,000
- (e) Interest on Bank Deposits Tk. 2,700
- (f) Dividend income Tk. 900

CLO

10.3 10.8 Chapter - 10 Income from Financial Assets

BOND WASHING TRANSACTIONS

It is another way where tax avoidance is aimed at. In this case, securities are sold cum interest with an agreement to re-sell or re-transfer the securities with a view to avoiding tax. Sometimes, securities are sold to a person whose income is less than the minimum taxable limit and then he doesn't need to pay any tax on interest on securities since his

Besides, since securities are capital asset, no tax will be given on the disposal value of the securities by the seller. In this way both the seller and buyer avoid tax. If this practice is not checked, interest is includible in the total income of the purchaser, as interest is chargeable in the hands of the person who is legal owner of securities on the

To prevent the avoidance of tax in this manner, Section 242(1) of the ITA, 2023 provides that where a security owner transfers the securities on the eve of due date of interest and reacquires them, the interest received by the transferee/purchaser will be deemed as income of the transferor/seller and, accordingly, it will be included in the total income of the transferor/seller and not the transferee/purchaser. There is wide scope to avoid tax in this way and Section 106 has given sufficient authority to the DCT to handle those cases of tax avoidance.

CLO

10.7-

INVESTMENT IN FINANCIAL ASSETS INCLUDED IN **INVESTMENT ALLOWANCE**

As per the rules explained in Part 3 of Sixth Schedule, investment in the following securities is considered as a part of investment allowance:

- ☐ Purchase of government securities not exceeding Tk. 500,000 [Sixth Schedule, Part 3, Para 7(a)]
- Purchase of unit certificate issued by any financial institutions or Investment Corporation of Bangladesh or Fund Manager and Mutual Fund, ETF or Joint Investment Scheme Unit Certificate not exceeding Tk. 500,000 [Sixth Schedule, Part 3, Para 7(b)];
- Contribution to any Deposit Pension Scheme sponsored by any Scheduled Bank or Financial Institution not exceeding Tk. 120,000 [Sixth Schedule, Part 3, Para 7(c)];
- ☐ Purchase of any listed securities (e.g. debentures or shares or zero-coupon bond) from stock exchanges operated under BSEC [Sixth Schedule, Part 3, Para 8].

CLO

000,000

WELLE.

10.4

10.5

INTEREST ON SAVINGS INSTRUMENTS

In Bangladesh, different savings instruments (known as Sachaypatra) are also issued through the Department of National Savings (Jatiya Sanchay Adhidaptor) under the savings mobilization Scheme of the Government. These savings instruments are not tradable in the secondary market. The purchaser can encash it at the end of the maturity, or before maturity if necessary. The basic objectives of these savings instruments are:

Chapter - 10 Income from Financial Assets
To Income from Financial Acest
Tasels

Salient Features of Savings Instruments

- SAVINGS CERTIFICATES [Maximum investment limit in any sanchaypatra is Tk. 50 lac in single name & 1 5 - Years Bangladesh Sanchaypatra (Maturity - 5 years) Can be purchased by any Bangladeshi citizen, on behalf of minor, recognized provident fund, DCT

 - Purchase Limit: Max 30 lac individual & 60 lac jointly; For organization as per circular 10% TDS applicable under section 105 which is the only applicable tax on such income i.e. final payment

☐ 3 - Monthly Profit Bearing Sanchaypatra (Maturity - 3 years)

- Can be purchased by a single Bangladeshi adult; a minor; two adults in their joint names; an adult on behalf of-a single minor, two minors jointly, himself/herself and a minor jointly and any lunatic of whom Purchase Limit: 30 lac single & 60 lac jointly
- Profit can be drawn after every three months
- 10% TDS applicable under section 105 which is the only applicable tax on such income i.e. final payment

☐ Family Savings Certificate (Maturity - 5 years)

- Can be purchased by any adult Bangladeshi female; any handicapped Bangladeshi (both male & female); Senior citizen (aged 65 years and above, both male & female).
- Profit can be drawn on a monthly basis

☐ Pensioner Sanchaypatra (Maturity - 5 years)

- Can be purchased by any retired Govt., Semi-Govt, Autonomous, Semi-Autonomous, Retired judges from the Supreme Court, Retired Armed Forces officials and Pension beneficiary Husband/Wife/Children of Purchase Limit: Max 50 lac
- Profit can be drawn after every three months
- No TDS is applicable if the cumulative investment does not exceed Tk. 5 lac at the end of the income year. Otherwise 10% TDS is applicable which is the applicable tax on such income i.e. final payment of

SAVINGS BONDS [Unlimited purchase limit]

- Wage Earners Development Bond (5 years); US Dollar Premium Bond (3 years); US Dollar Investment Bond (3 years); Euro Premium Bond, Euro Investment Bond; Pound Sterling Investment Bond; Pound Sterling Premium Bond
- Wage Earners Development Bond can be purchased by a Bangladeshi wage earner who is serving
- Other bonds can be purchased by Non-Resident Bangladeshi who are FC Account holder
- No TDS is applicable under section 105; Fully exempted from tax [6th Schedule, Part 1, Para 18]

mitigating national outget decidency is particular sectors of people bringing under socio-economic safety net of country's particular sectors of people bringing under socio-economic safety net of country's particular sectors of people bringing under socio-economic safety net of country's particular sectors of people bringing under socio-economic Bangladeshis who are working abroad and the physical nanorcapped by reducing foreign aid dependence and inflation etc.

collecting scattered small savings through National Saving Schemes; mitigating national budget deficit by collecting money through saving schemes:

Savings Instruments Existing in Bangladesh

motivating people to save money:

Savings Certificates 5-year Bangladesh sanchaypatra 3 monthly profit bearing sanchaypatra	Savings Bonds Wage Earners Development Bond US Dollar Premium Bond
Pensioner sanchaypatra	US Dollar Investment Bond Euro Premium Bond Euro Investment Bond Pound Sterling Investment Bond Pound Sterling Premium Bond

Minimum Tax on Interest on Savings Instruments

Notwithstanding anything contained in any other provisions of the ITA, 2023, any TDS (u/s 105) deducted on the above-mentioned interest income of savings certificates owned by any individual taxpayer will be considered as final payment of tax [SRQ253. Law/IT-09/2023 dated August 23, 2023].

Example 1: During the current income year, Mr. Tareq received Tk. 400,000 as interest on 5-Year Bangladesh Sanchaypatra on which 10% tax (Tk. 40,000) has been deducted at source under section 105. He had no other income. In this case his tax liability will be Tk. 40,000 as it is minimum tax under section 163 and final payment of tax.

Example 2: During the current income year, Mr. Zia received Tk. 300,000 as interest on 5-Year Bangladesh Sanchaypatra on which 10% tax (Tk. 30,000) has been deducted at source under section 105. He has also received Tk. 600,000 interest on bank deposits on which 10% tax(Tk. 60,000) has been deducted at source under section 102. He had income from rent Tk. 500,000 and ao investment allowance. Here, total income and tax liability shall be:

income from regular ages of		
Income from regular source (Rent & Bank interest) Interest on 5-Year Bangladesh Sanchaypatra (Final tax) Total income	Tk.	1,100,000
Tax Liability: Tax applicable on regular source of income		1,400,000
next Tt. 250,000 (11), next 100,000 @ 5%, next Tk, 400,000 @ 10%	Tk.	82,500
TDS on Interest on 5-Year Bangladesh Sanchaypatra Total tax liability	Tk.	30,000
Total tax deducted at source (TDS: Tk. 30,000 + Tk. 60,000) Tax to be paid with return	Tk.	90,000
	Tk.	22,500

- Interest from TEGS are fully exempted, no resident in the second as interest need to be grossed up, related interest on TGS are subject to 5% TDS, thus the amount received as interest need to be grossed up, related
- expenses (bank charge and interest on journ of the amount received as interest need to be grossed up.
- Interest from ZCB are fully exempted, no related expenses are admissible
- Interest from ZCB are July exempted, no related as Interest on deposits from bank/financial institutions are subject to 10% TDS, thus the amount received as
- TDS for dividend is 10%, thus the amount received need to be grossed up, related expenses are admissible

SOLVED PRACTICAL CASES (SPC)



INCOME FROM AND INTEREST ON SECURITIES, BANK INTEREST, DIVIDEND

Compute the income chargeable under the head "Income from Financial Assets" for Mr. Mahmud for the current income year. He received Tk. 19,000 interest from taxable govern. securities (TGS), Tk. 23,940 from debentures, Tk. 15,000 from zero-coupon bond. Besides, he has investments in 10% TGS valued Tk. 45,000, and 8% debentures valued Tk. 20,000. During the year he received Tk. 9,000 dividend for investment in Grameenphone Ltd.'s shares and Tk. 27,000 interest from bank fixed deposits.

				- acp	osits.
Assessee: Mahmud	Assessment	Year: 2024 -	Income Year: 2023 - 2024		
Income from Financial Assets: TGS (note 1) Debentures (note 2) Zero-coupon bond (note 3) Dividend (note 4) Interest on bank deposit (note 5) Fotal	Gross Income Tk. 24,500 26,800 15,000 10,000 30,000	Allowable expenses Tk	Net Income Tk. 24,500 26,800 15,000 10,000 30,000	Exempted Tk	Taxable Tk. 24,500 26,800 10,000 30,000
Notes: (1) {19,000 × 100 ÷ (100 – 5)	Tk. 106,300	Tk.	Tk. 106,300	Tk. 15,000	Tk. 91,300

Notes: (1) $\{19,000 \times 100 \div (100 - 5)\}$ + $(45,000 \times 10\%)$ = Tk. 24,500 (2) $\{23,940 \times 100 \div (100 - 5)\}$ + $(20,000 \times 10\%)$ 8%) = Tk. 26,800 (3) income from zero-coupon bond are fully exempted. (4) $[9,000 \times 100 + (100 - 10)] = \text{Tk. } 10,000.$ (5) $[27,000 \cdot 100 - (100 - 10)] = Tk. 30,000$.



BANK CHARGES, DEBENTURE PURCHASE FINANCED BY LOAN

Compute the income chargeable under the head Income from Financial Assets for Mr. Musa for the current income year: 10% tax-exempt government securities (TEGS) valued Tk. 50,000; interest received on taxable government securities (TGS) Tk. 4,750; Tk. 18,050 as interest on debentures and income from zero coupon bond Tk. 15,000 The Bank has charged Tk. 100 collecting interest on TEGS, Tk. 75 for TGS and Tk.

150 for zero coupon bond. The bank has deducted Tk. 380 as commission for collecting interest on debentures. In addition, debentures were purchased by taking a 6% bank loan of Tk. 100,000. During the year he received Tk. 900 dividend for investment in Prime Bank's shares and Tk. 1,800 interest from bank savings acc

Assessee: Musa		merest fr	om bank savi	ngs account.	nvestment in
	Assessme	ent V	. 541	ings account.	
Income from Financial Assets:	Gross Income	Allowable	- 2025 Net	Income Year:	2023 – 2024
TGS (note 2)	Tk. 5,000	Tk.	Income	Exempted	Taxable
Debentures (note 3)	5,000 19,000	75	Tk. 5,000 4,925		Tk.
Zero-coupon bond Dividend (note 4)	15,000	6,380	12,620		4,92
nterest on bank deposit (note 5)	1,000		15,000	15,000	12,620
Total	2,000 Tk. 47,000	TI	1,000 2,000	-	1,000
Notes: (1) $50,000 \times 10\% = \text{Tk. } 5,000$ (i) = Tk. 19,000; admissible express	(2) 4.750 × 100	Tk. 6,455	Tk. 40,545	Tk. 20,000	2,000 Tk. 20,545

Notes: (1) 30,000; admissible expense [bank charge Tk. 380 plus interest on loan (100,000 × 6%), i.e., Tk. 380 + Tk. 19,000 (2) Interest = (18,050 × 100 + (100 - 5)} = Tk. 6,380 (4) $[900 \times 100 \div (100 - 10)] = Tk. 1,000$ (5) $[1,800 \times 100 \div (100 - 10)] = Tk. 2,000$.



BANK CHARGES, INVESTMENTS FINANCED BY LOAN

From the given information compute income chargeable under the head Income from Financial Assets for Mr. Hamid for the current income year: interest on taxable government securities (TGS) Tk. 9,500; investment on 12% debentures Tk. 120,000; and income from zero coupon bond Tk. 15,000. The Bank has charged Tk. 100 for zero coupon bond income. The bank has also deducted 5% commission for collecting interest on TGS and debentures. In addition, bank loans were taken to invest in TGS Tk. 50,000 @ 6% interest and debentures Tk. 120,000 @ 6% interest. During the year he received Tk. 1,800 interest from the post office (PO) savings bank account.

Assessee: Hamid			() 541	mgs bank acc	ount.
Assessee: Hamid	Assessme	nt Year: 2024	-2025	Incom - V	
Income from Financial Assets:	Gross	Allowable	Net	Income Year:	2023 – 2024
TGS (note 1)	Tk. 10,000	expenses	Income	Exempted	Taxable
Debentures (note 2)	14,400	Tk. 3,475	Tk. 6,525	Tk.	Tk. 6,525
Zero-coupon bond	15,000	7,884	6,516	-	6,516
Interest on PO savings (note 3) Total	2,000	-	15,000 2,000	15,000	-
	Tk. 51,400	Tk. 11,359	Tk. 40,041	Tk. 15,000	2,000
Notes: (1) Interest: 19 500 × 100 :	100			- TK. 15,000	Tk. 15,041

Notes: (1) Interest: $\{9,500 \times 100 \div (100 - 5)\}$ = Tk. 10,000; admissible expense: bank charge $(9,500 \times 5\% = \text{Tk})$. 475) plus interest on loan (50,000 × 6% = Tk. 3,000)] Tk. 475 + Tk. 3,000 = Tk. 3,475 (2) Interest: 120,000 × 12% = Tk. 14,400; admissible expense: bank charge Tk. 684 [5% on the amount of interest collected by the bank {i.e., on $\{14,400 - 5\% \text{ TDS on } 14,400\} = \text{Tk. } 13,680\}$ plus interest on loan $\{120,000 \times 6\%\}$, Tk. 7,200 = Tk. 7.884. (3) [1,800] \times 100 ÷ (100 – 10)] = Tk. 2,000.



INVESTMENTS AT DIFFERENT DATES

Following are the details of investments made by Mr. Tomal in the taxable government Following are the details of investment securities (TGS), debentures (DBNR), I year zero coupon bond (ZCB, with maturity securities (TGS), depending (1998), value of Tk. 100,000), and 10% Bank Fixed Deposits made. Compute his taxable

Investment details	Purchase price	Bank charges during the year
20% TGS on 01.07.2022	200,000	270 dgainst the int-
15% DBNR on 01.09.2022 10% DBNR on 30 06.2024	50,000	collected from DRND
ZCB on 01.07.2023 10% Bank FDR 01.01.24	90,000 100,000	Tk. 200 purchase commission

Assessmei	nt Year: 2024	- 2025 I	ncome Year	2022
Gross	Allowable	Net	- car.	2023 - 2024
Income	expenses	Income	Exempted	Taxable
Tk. 40,000	Tk. 1.900		Th	
15,000			1 K	Tk. 38,100
	500	,	-	14,700
	Ī		10,000	
Tk. 70,000	Tk. 2,200	Tk. 67,800	Tk. 10.000	5,000 Tk. 57,800
	Gross Income Tk. 40,000 15,000 10,000 5,000	Gross Allowable	Income expenses Income Tk. 40,000 Tk. 1,900 Tk. 38,100 15,000 300 14,700 10,000 - 10,000 5,000 - 5,000	Gross Income Allowable expenses Net Income Exempted Tk. 40,000 Tk. 1,900 Tk. 38,100 Tk. 15,000 300 14,700 10,000 5,000 - 5,000 10,000 Tk. 70,000 Tk. 2,000 Th. 2,000 Th. 2,000

Notes: (1) Gross interest $200,000 \times 20\% = \text{Tk. } 40,000$; net interest after 5% TDS = Tk. 38,000; bank fees charged on the net amount as it has been collected by the bank (i.e., 5% charge on Tk. 38,000 = Tk. 1,900) (2) No interest was earned on 10% debenture as it has been purchased on the last day of the income year. Only interest earned is from 15% debenture (100,000 × 15%) = Tk. 15,000 (3) Interest on the zero coupon bond is realized on 30.06.2022 by Tk. 10,000 (i.e. maturity value less the purchase price) (4) Gross interest $100,000 \times 10\% \times 6/12 = \text{Tk.} 5,000$



ALLOCATION OF BANK CHARGE, REALIZATION FROM ZERO COUPON BOND

Determine taxable income for Mr. Saif from interest on securities for the current income year. During the year, he invested Tk. 60,000 in 8% tax-exempt government securities (TEGS), Tk. 50,000 in 10% taxable government securities (TGS), and Tk. 200,000 in 15% debentures (purchased on January 1 of the income year). He financed Tk. 100,000 by taking 8% loan to purchase debentures. His bank has charged Tk. 2,380 as collection fee of these interests. Moreover, during the year he has received Tk. 20,000 from a 2-year zero coupon bond (ZCB) at the maturity (acquisition price was Tk. 18,000). No bank charge is applicable for collecting interest on ZCB.

Assessee: Saif	Assessme	nt Year: 2024	2025	Income Year:	2023 - 2024
Income from Financial Assets; TEGS (note 1) TGS (notes 2 and 5)	Gross Income Tk. 4,800 5,000	Allowable expenses Tk 475	Net Income Tk. 4,800 4,525	.,	Taxable Tk. 4,525

Chapter ~ 10 Income from Financial Assets

Zero-coupon bond (note 4)	15,000	C	iapter – 10 Inc	ome from Find	incial Assets
Total	2,000	3,425	9,575		7105013
(1) (0,000	Tk. 26,800	Tk. 5000	2,000	2,000	9,575
Notes: (1) 60.000 × 8% = Tk. 4.800	(2) Gross in	1K. 5,900	Tk. 20,900	Tk. 6,800	Tk 14 100

Notes: (1) $60.000 \times 620 = 18.4,5000$ (2) Gross interest $50.000 \times 10\% = 18.5,000$; net interest collected by the bank after 5% TDS = Tk. 14.250 (4) Interest on the ZCR is the 4.500 interest collected by the bank are the number of the zero. after 5% TDS = Tk. 14.250 (4) Interest 200,000 × 15% × 6 = 12 = Tk 15.000; net interest collected by the bank fig. Tk. 20,000 – Tk. 18,000 (5) Total interest collected between the maturity value and the purchase after 5% TDS — Tk. 18,000] (5) Total interest collected by the bank is Tk. 23,800 (consists of Tk. 4.800 from TGS, and Tk. 14,250 from delegated by the bank is Tk. 23,800 (consists of Tk. 4.800 from these price [i.e., 1k, 20,000] Total interest collected by the bank is Tk, 23,800 (consists of Tk, 4,800 from TEGS, Tk, 4,750 from TGS, and Tk, 14,250 from debenture). Bank charged Tk, 2,380 collection fees against these TEGS, Tk. 4,750 from 1 co., and 1k. 14,250 from debenture). Bank charged Tk. 2,380 collection fees against these interests. Thus, proportionate bank charge for TGS is Tk. 475 (i.e., 2,380 ± 23,800 × 4,750) and for debenture is Tk. 1425 interests. Thus, proportionate oank enarge for TGS is Tk. 475 (i.e., $2.380 \pm 23.800 \times 4.750$) and for debenture is Tk. 1,425 (i.e., $2.380 \pm 23.800 \times 4.750$) and for debenture is Tk. 1,425 (i.e., $2.380 \pm 23.800 \times 4.750$) and for debenture is Tk. 1,425 (i.e., $2.380 \pm 23.800 \times 4.750$) and for debenture is Tk. 1,425 (i.e., $2.380 \pm 23.800 \times 4.750$) and for debenture is Tk. 1,425 (i.e., $2.380 \pm 23.800 \times 4.750$) and for debenture is Tk. 1,425 (i.e., $2.380 \pm 23.800 \times 4.750$) and for debenture is Tk. 1,425 (i.e., $2.380 \pm 23.800 \times 4.750$) and for debenture is Tk. 1,425 (i.e., $2.380 \pm 23.800 \times 4.750$) and for debenture is Tk. 1,425 (i.e., $2.380 \pm 23.800 \times 4.750$) and for debenture is Tk. 1,425 (i.e., $2.380 \pm 23.800 \times 4.750$) and for debenture is Tk. 1,425 (i.e., $2.380 \pm 23.800 \times 4.750$) and for debenture is Tk. 1,425 (i.e., $2.380 \pm 23.800 \times 4.750$) and for debenture is Tk. 1,425 (i.e., $2.380 \pm 23.800 \times 4.750$) and for debenture is Tk. 1,425 (i.e., $2.380 \pm 23.800 \times 4.750$) and for debenture is Tk. 1,425 (i.e., $2.380 \pm 23.800 \times 4.750$) and for debenture is Tk. 1,425 (i.e., $2.380 \pm 23.800 \times 4.750$) and for debenture is Tk. 1,425 (i.e., $2.380 \pm 23.800 \times 4.750$) and for debenture is Tk. 1,425 (i.e., $2.380 \pm 23.800 \times 4.750$) and for debenture is Tk. 1,425 (i.e., $2.380 \pm 23.800 \times 4.750$) and for debenture is Tk. 1,425 (i.e., $2.380 \pm 23.800 \times 4.750$) and for debenture is Tk. 1,425 (i.e., $2.380 \pm 23.800 \times 4.750$) and for debenture is Tk. 1,425 (i.e., $2.380 \pm 23.800 \times 4.750$) and for debenture is Tk. 1,425 (i.e., $2.380 \pm 23.800 \times 4.750$) and for debenture is Tk. 1,425 (i.e., $2.380 \pm 23.800 \times 4.750$) and for debenture is Tk. 1,425 (i.e., $2.380 \pm 23.800 \times 4.750



Debentures (notes 3, 5, 6)

ALLOCATING BANK CHARGES, DEBENTURE PURCHASE FINANCED BY LOAN From the information given below, compute the income chargeable under the head Income from Financial Assets for Mr. Tanvir for the current income year: value of 15% taxable government securities (TGS) Tk. 40,000; Tk. 9,500 as interest on 12% debentures; and interest on zero coupon bond Tk. 10,000. The Bank has charged 5% for collecting above interests. In addition, he has taken 6% bank loan Tk. 100,000 to purchase additional 10% approved company debenture on January 1 of the income year. In addition to it, he has also received Tk 3,600 as dividend from mutual fund.

Assessee: Tanvir				iroin mutuai fi	und.
	Gross	nt Year: 2024 Allowable		ncome Year:	2023 - 2024
Income from Financial Assets: TGS (note 1)	Tk. 6,000	expenses	Net Income	Exempted	Taxable
Debentures (note 2) Zero-coupon bond	15,000	Tk. 285	Tk. 5,715	Tk.	Tk. 5,715
Dividend (note 3)	10,000 4,000	-	10,000	10,000	11,287
Total	Tk. 35,000	Tk. 3,998	4,000 Tk. 31,002	Tk. 10,000	4,000
Notes: (1) Gross interest: 40 000 x 1	50/ TI (18. 10,000	Tk. 21,002

Notes: (1) Gross interest: $40,000 \times 15\% = Tk$. 6,000; net interest collected by the bank after 5% TDS = Tk. 5,700; Bank charge $5\% - 5,700 \times 5\% = \text{Tk. } 285$ (2) Gross interest from 12% debenture: $(9,500 \times 100 + 95) = \text{Tk. } 10,000$ and from 10% debenture: $(100,000 \times 10\% \times 6/12) = Tk. 5,000$; total gross interest is Tk. 15,000; bank collected the net interest Tk. 9,500 plus Tk. 4,750 (after 5% TDS on the interest from 10% debenture) = Tk. 14,250; Bank charge 5%, i.e., 14,250 × 5% = Tk. 713; interest on loan (100,000 × 6% × 6/12) = Tk. 3000; total allowable expenses Tk. 3,713 (3) Gross dividend: $(3,600 \times 100 \div 90) = Tk. 4,000$;



NON-RESIDENT BANGLADESHI, BOND-WASHING TRANSACTION

Mr. Jalal Talabani, a non-resident Bangladeshi, is a Permanent Resident of Canada, Information regarding his investments in and income from securities during the current income year are provided below to compute his taxable income for the year.

- ☐ Invested Tk. 100,000 in 10% Bangladesh tax-exempt Government Bond (TEGS. purchased on 01.09.22).
- Tk. 200,000 in 8% Canadian T Bill in Canada (purchased on 1st July 2023).

_	Interest on 10% taxable government	ne mank has
-	Interest on 100 as collection fee, deducted Tk 100 as collection fee.	4
	deducted Tk. 100 as collection of Tk. 100 as collection of Tk. 100 as collection were purchased from DSE at a cost of Tk. 14m, Beximoo debentures were purchased from DSE at a cost of Tk. 100,000. In this regard, he has so	- 230 000
	14% Beximoo debentures were partial to the segment to the segment of the segment	old 13m
	1" January 2024 (face variety) and the same day (the acquisition price was debenture at Tx 150,000 on the same day (the acquisition price was debenture at Tx 150,000 January 15 paid on 30th June each year by the	T3 13% AC
	debenture at Tk 150,000 on the same out to 20th June each years	1 K. 130,000
	debenture at Tk. 180,000 or the same of 30th June each year by the face value Tk. 125,000. Interest is paid on 30th June each year by the face value Tk. 125,000. The bank has charged him Tk. 500 as transaction	ie compa-
	face value Tk 125,0001 mercus has charged him Tk, 500 as transaction on an annual busis. The bank has charged him Tk, 500 as transaction	fee Panies
	on an annual pusis. The basis have value of Tk. 5 lac (interest pay-	abl.
	on an annual basis. The basis in the basis of ABC Ltd. with face value of Tk. 5 lac (interest pays 12% debentures of ABC Ltd. with face value of Tk. 5 lac (interest pays 12% debentures of ABC Ltd. with face value of Tk. 5 lac (interest pays 12% debentures).	TOTE annually
	from NCL Ballix is 10 visibose and sales and Tk. 1.500 for college	MOISSIMITION
	in the carriement of the purchase and	III Int
		M 00-
	1 15th June 2024 (interest is paid annually on 30th June) and be	TOOL TO PIE
	The DCT identified that it has a factor of the DCT identified that it has a factor of the DCT marked it as Bond Washington and by the DCT marked it as Bond Washington of the DCT marked it as Bond Washington	rught it back
	om 3rd July 2023 at Tk. 105,000. The DCT marked it as Bond Washing	2

On 31st March 2024 he received Tk. 50,000 maturity value coupon bond. Acquisition price of the bond was Tk. 35,000. Tk. 500 was charged in this regard by his bank.	of a three years zero The collection fee of

Assessee: Jalul Talabani	Assessmen	it Year: 2024	1 – 2025	Income Year:	2023 - 2024
	Gross	Allowable	Net		
Income from Financial Assets.	Income	expenses	Income	Exempted	Taxable
TEGS (note 1)	Tk. 10,000	Tk	Tk. 10,000	Tk. 10,000	Tk.
TGS	3,000	100	2,900	-	2,900
Debentures (note 3)	80,500	10,979	69,521	-	69,521
10% debenture (note 4)	10,000	-	10,000	_	10,000
Zero-coupon bond	15,000	-	15,000	15,000	-0,000
Total	Tk. 118,500	Tk. 11.079	Tk. 107,421	Tk. 25,000	Tk. 82,421

Notes: (I) 10% Bangladesh Tax Free Government Bond is a tax-free government security. Interest is considered for the whole year as it was on hand from the first day of the income year. (2) As he is a non-resident, interest on Canadian I Bill wish not come under the scope of his total income, as it is income earned in outside Bangladesh. In case of resident, the interest would have to be considered under the head "Foreign income" instead of "Income from Interest on Securities", as it is a security issued by foreign authority (3) Income from debentures is calculated as follows:

- impress on securoses is paid always on face value. So, interest on 14% Beximon Debenture is (200,000 × 14%) = Tk. 28 (88). As the fenas holder, he well get the whole interest. Similarly, as he has sold the 13% ACI interest market, he is no more eligible to receive any interest on it as he is not the final holder. This is an evacupie of curt-interest. Transaction fee for purchase and sell of securities is not an admissible expense.
- (a) 12% deherrance of ABC Ltd. hearing the face value of Tic. 500,000 were sold before the due date of interest. So, the Crac holder is entitled to get the interest on such debentures. In this regard, no income by way of interest arises in the hand of Mr. Jalal Talabari. However, the sale being ex-interest, the total sale price is Tk. 500,000 gran interest accrued for 11 months (1st January to 30th November) i.e., Tk. 55,000 (500,000 × 12% × 11/12)= Tk 555 000. The surplus received Tk.55,000 (555,000 - 500,000) would be deemed to be income chargeable
- (c) The amount of additional sum borrowed to purchase 15% XYZ Debentures at face value ex-interest is calculated

	EV of 15% XYZ Debentures	Chapter - 10 Income from	Financial Assets
	Add: Payment for accrued interest for October & November 20 Less: Amount received from sale of ABC Debenture Rogrowings from Bank (On December 2)	0 [Tk: 700,000 + 15% × 2/12]	Tk. 700,000 17,500
	parmwines from Bank (On Danna) Debenture		717,500
	Aper the acquisition, interest on 150 (1, 2022)		555,000
)	After the acquisition, interest on 15% XYZ debentures receives the interest on 15% XYZ debentures received the		Tk. 162,500

After the control of the interest on a semi-annual basis. So, the interest amount received on 15% of 200 000 x 15% of 200 000 six monates $(700,000 \times 15\% + 1.2) = \text{Tk.} 52,500$ The next interest will be received on September 30, 2024.

	Interest on 14% Beximoo Debenture Interest on 15% XYZ Debenture	
	Interest on 15 a X 12 Depenture	= Tk. 28,000
	Amissible expenses: Bank and	= Tk. 52,500
	Admissible expenses: Bank collection fee for interests	= Tk. 80,500
	interest on loan (162,500 + 100 - 7 12 - 7	= Tk. 1,500
	Interest on loan (162,500 + 10% s = 12) (From December to June)	= Tk. 9,479
A	as the sale of 10% debentures is considered	= Tk 10 979

(4) As the sale of 10% debentures is considered as bond washing transaction by the DCT, the interest amount will be



INCOME FROM SAVINGS INSTRUMENTS

During the current income year, Mr. Tareq received interest Tk. 80,000 from a 5-Year Bangladesh Sanchaypatra; Tk. 60,000 from 3 monthly profit based Sanchaypatra (bought on January 01 of the current income year), Tk. 100,000 interest on Pensioner Sanchaypatra (cumulative investment amount reached to Tk. 800,000 at the end of this income year), and Tk. 50,000 from Wage Earner's Development Bond.

You are required to determine the (1) total taxable income from interest on savings instruments (2) amount of tax liability, assuming he has no other income (3) amount of tax liability, if his cumulative investment in Pensioner Sanchaypatra reached to Tk. 400,000 at the end of the income year (4) amount of tax liability, assuming he also has income from rent Tk. 650,000 in addition to the given interest income.

1. Computation of taxable income from interest on savings instruments

Interest on 5 M P	m savings instruments		
Interest on 5-Year Bangladesh Sanchaypatra		Tk	80,000
Interest on 3 monthly profit based Sanchaypatra			60,000
Interest on Pensioner Sanchaypatra			100,000
Interest on Wage Earner's Development Bond	Tk. 50.000		100,000
Less: exempted (full)	50,000		_
Total		Tk.	240,000
•			

Note: As cumulative investment in Pensioner Sanchaypatra reached to Tk. 800,000 at the end of the income year, 10% TDS is applicable on it.

2. Amount of tax liability on the income from savings instruments

According to section 105, 10% TDS is applicable on income from above savings instruments which is Tk. 24,000 (10% of Tk. 240,000). Although his total income is less than the minimum non assessable limit of Tk. 350,000; the tax amount already deducted (i.e., Tk. 24,000) will be his applicable as minimum tax liability u/s 163.

pensioner Sanci	наурини тепстеп	r. 4 lacs)
3. Tax hability suchen inserament in Pensioner Sanci		Tk. 80,000
Tax fashifite search sanchaypatra Interest on Since Rankiades based Sanchaypatra Interest on Sincerests product based Sanchaypatra		60,000
philippe, the surrentper Intern con a	Tk 100,000	
Interior or Personne Sanchay patra	100,000	
a comment tuli	Tk. 50,000	*
Interest on Wage Larret's Dev. Dente	50,000	
Less exemples for t		Tk. 140,000
Tells moomo		0,000

Accordance to section 105, 10°, 1DS is applicable on income from above savings instruments which is Tk. 14.000 (10°, of Tk. 140.000). Although his total income is item the minimum non assessable limit of Tk. 350,000; the tax amount already deducted of Tk. 14.000 will be his applicable/minimum tax liability u/s 163.

4 Computation of tax liability (on income from ten and income)	Tk. 650,000
Income on which section 163 is applicable	77
. Interest on savings instruments)	Tk. 240,000

SiRRi marcanear	-	1000
Tax i sability Income Tax applicable on regular source of income Tk. 650,000 (a)		, 4 ⁶
Tender Tate [350,000 (a. 0% - 100,000 (a) 5% + 200,000 (a) 10%]	Tk.	25,000
TDS on interest on savings instruments (10% of Tk. 240,000)	Tk.	24,000
Total tax liability	Tk.	49,000
Less TDS	Tk.	24,000
Tax habitutes to be paid with return	Tk.	25,000



ASSESSMENT OF TAX LIABILITY

Mr. Amit Agarowal declared following income from and investment in different securities for the current income year:

	The same same same same same same same sam	
	Streets on US Dollar Premium Bond (USD PB)	25,000
=	ar sextment in 10% Taxable Government Securities (TGS)	200,000
	innerest on 5 Year's Savings Certificate	27,000
	investment in 12% Debenture	400,000
	Viscome from 1 year Zero Coupon Bond	12,000
	Interest on FDR	18,000
	D-vidend	1.800
7.4		

to the ancome from interest on securities listed above. Mr. Agarowal also has taxable ancome from Agriculture amounting to Tk. 750,000 during the year. In line with the Part 5 of Nath Schedule has qualifying amount for allowable investment amounts to Tk. 150,000 Based on the information provided, compute taxable income and tax liability of Mr. Agarowal for the year.

Particulars of Total Income Assessment Year: 2024 202	25	Income Yea	r: 202	3 - 2024
Income from Agriculture		Section	A	mount
Income from Financial Assets (workings 1)		40	Tk.	750,000
Total income		62		117,720
Tax computation and Payment			Tk.	867,720
Gross tax before tax rebate (workings - 2)				
Less: Tax rebate (Schedule 5)			Tk.	46,772
Net tax after tax rebate (a)				22,500
Minimum tax (b)			-	24,272
Net amount payable [higher of (a) and (b)]				5,000
Add: Surcharges				24,272
Net Wealth Surcharge				
Environmental Surcharge		Tk		
Add: Interest, fine, or any other payment under ITA, 2023		-		
Total Amount Payable				
Less: Payments -				24,27
 a. Tax deducted or collected at source 				
b. Advance tax paid		Tk. 8,600		
c. Adjustment of tax refund		•		
d. Amount paid with return [Balancing figure]				
Total amount paid and adjusted $(a + b + c + d)$		15,672		
Deficit or excess			Tk.	24,27
Tax exempted income			Tk.	
			Tk.	37,00

Schedule 5

Particulars of investment allowance	
Allowable investment	Amount
Total Allowable Investment	Tk. 150,000
The value investment	Tk. 150.000

Tax Rebate

A. 3% of total income* (Tk. 837,720 @ 3%) Tk. 25.132 Lowe

^{*} excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable, i.e., Tk. 867,720 – Tk. 30,000 (interest on savings certificate) = Tk. 837,720.

Workings 1: Income from Financial Assets

Income from interest on:	Gross Income	Allowable expenses	Net Income	Exempted	Taxable
USD PB TGS	Tk. 25,000 20,000	Tk.	Tk. 25,000 20,000	Tk. 25,000	Tk. 20,000

(d) nothing

me Tax - Theory and Practice

Savings certificate [27,000 - 0.9 Debentures (note 2) Zero-coupon bond FDR interest [18,000 - 0.90] Dividend [1,800 - 0.90]	30,000 48,000 12,000 20,000 2,000	2,280	30,000 45,720 12,000 20,000 2,000	12,000	30,000 45,720 20,000 2,000
	Tk. 157,000	Tk. 2,280	Tk. 154,720	Tk. 37,000	Tk. 117,720

Workings 2: Computation of gross tax liability

	On this	On next 7.	On next Tk. 387,720	On income under section 163 Tk. 30,000	867,720
	350,000	100,000		@ 10%	-
Rate	@ 0%	@ 5%	@ 10% 38.772	3,000	46,772
Tax	-	5,000	30,772		

Notes: (1) TDS: Tk. 1,000 from TGS (5% on Tk. 20,000) + Tk. 3,000 from savings certificate (10% on Tk. 30,000) + Tk. 2,400 from debenture (5% on Tk. 48,000) + Tk. 2,000 from FDR interest (10% on Tk. 20,000) +Tk. 200 on dividend (10% on Tk. 2,000) = Tk. 8,600. (2) Bank commission charge 5% on net interest of debenture collected by bank i.e. 5% on (48,000 - 5% TDS) = Tk. 2,280.

KEY POINTS

	security approved by government or from any debenture is taxable.
	According to the ITA, 2023, the chargeability of tax is done when interest i
	received or credited whatever happens earlier.
	According to section 62 of the ITA, 2023 interest on securities are to be recorded
	under the head "Income from Financial Assets".
	In computing the income under the head "Income from Financial Assets" deduction
	of bank collection fees and interest on borrowed capital are admissible.
	Income from zero coupon bond received by any person other than banks, insurance
	and financial institutions are fully exempted from tax.
	Interest on savings instruments is accounted under the head "Income from
	Financial Assets".
	Interest on commercial securities (debentures), bank deposits, and Dividence
	incomes are fully taxable.
	Amount of interest income need to be grossed up when interest received is ne
_	interest from taxable government securities and debentures.
	by cum interest transaction a holder of security can avoid tax and by bond washing
	transaction both the seller and buyer can avoid toy. But DCT has given sufficient
	authority to handle those cases of tax avoidance
	In Bangladesh, the rate of tax deducted at source on securities' interest is 5%.

☐ Interest receivable by the assessee on any security of the government or any

TIPLE CHOICE QUESTIONS

141				
1.	Income shall be classified (a) section 40	ed under the head (b) section 45	"Income from Financial Asse	ets" according to -
,			(c) section 57 securities and debentures ar	(d) section 62 nounted to –
3.	Rate of TDS on interest	on securities is -	(c) Tk. 15,000	(d) Tk. 5,000

5.	Kure		, -		
	(a) 5%	(b) 10%	(c) 15%	(d)	20%
4.	Amount of tax exempt	ion for interest of	on zero coupon bond is –	(u)	2070
	(a) full	(b) Tk. 5,000	0 (c) Tk. 20,000	(d)	nothing
_	Amount of tax exempt	ion for interest of	n debenture	(-)	J

6.	Which of the following	gible for tax exemption benefit?	(=)		
	(a) Taxable gov. sec.		(c) Debenture		None of thes

7.	Bangladesh Treasury Bond is an example of
	(a) tax-exempt government security

(b) taxable government security

	,	(0)
debenture		(d)

(b) Tk. 5.000

zero coupon bond

(c) Tk. 20,000

8. Which of the following shall not be considered as income from financial assets?

- (a) Income from securities issued by the government
- (b) Income from securities issued by local authority
- (c) Income from securities issued by a company
- (d) Income from barga

(a) full

- 9. From the following cases which interest need to be grossed up?
 - (a) Interest received Tk. 10,000 from tax-exempt government securities
 - (b) Interest received Tk. 10,000 from taxable government securities
 - (c) Investment of Tk. 1,00,000 in 10% tax-exempt government securities
 - (d) Investment of Tk. 1,00,000 in 10% taxable government securities
- 10. Which of the following statements is false?
 - (a) In case of cum interest transaction seller will pay tax
 - (b) In case of cum interest transaction buyer will pay tax
 - (c) In case of bond washing transaction neither buyer nor the seller will pay tax
 - (d) None of the above

TRUE (T) OR FALSE (F) IDENTIFICATION

- 1. Dividend from equity share lies under the head income from financial assets.
- 2. Taxable government securities get tax exemption benefit.
- 3. Cum interest transaction help the seller of security to avoid tax.
- 4. TDS is applicable @ 10% on interest on taxable government securities.
- 5. Investment in debenture is not subject to investment tax rebate.

OT OF OT OF OT OF OT OF \Box T \Box F

DISCUSSION QUESTIONS (DQ)

DQ10.1 What is income from financial assets? Which incomes are recorded under this head?

DQ10.2 What are the conditions of taxation under interest on securities?

DQM 2. Classify 4-flerent repector securities and briefly explain each class; DQ16.3 Classify 4 flerent represent securities and distortion of applicable for different securities DQ16.4 What is grossing up of interest 2 Explain how the concept is applicable for different securities. DOMES What are the admissible expenses under the head interest on security? DOIGHT S What are the admissible expenses timer the applicable for different types of security.

DOIGHT S What are the admissible expenses timer the applicable for different types of security. DOMA 1 splant with example the tax exemption interest and bond washing transaction" - explain DOLG R. Witte short note on Write when note on

Grossing up of interest

Bond washing transaction

Tax exempted income under the head Corroscang up of interest D Bond washing the head interest on securities D TDS on Interest interest on securities D TDS applicable for the head interest D TDS applicab on Pensioner Savings Certificates

PROBLEM CASES (PC)

PC10.1: Followings are Mr Zia's income from different securities for the current income year interest on taxable government securities Tk. 4,500; interest on 10% debentures Tk 9,000 and interest on zero coupon bond Tk. 15,000. The bank has charged Tk. 1,200 for collecting the above interests. In addition, he has taken a bank loun of Tk. 100,000 @ 6% interest to purchase the 10% debentures. He has also received Tk. 900 bank interest and Tk. 18,000 as dividend. Compute the income chargeable under the head 'Income from Financial Assets' for the year.

PC10.2: Mr Jalil invested Tk. 50,000 in 10% taxable government securities and Tk. 140,000 in 10% debentures. He financed Tk. 100,000 by taking 8% loan to purchase government securities. Bank charge Tk. 1,000 as collection fee of these interests. He has also received Tk 9000 bank interest and Tk. 9,000 as dividend. Determine taxable meome for Mr. Jafil for the current income year.

PC10.3: From the following information compute the income chargeable under the head 'Income from Financial Assets' for Ms. Veronica for the current income year: income from interest on taxable government securities Tk. 1,800; investment in 10% taxable government securities to the extent of Tk. 25,000; income from interest on 12% debentures Tk 18,000, investment in 15% debentures to the extent of Tk. 20,000 and interest from zero coupon bond Tk. 8,000. The bank has charged 5% as commission for collecting the above interests. He has also received Tk. 18,000 bank interest and Tk. 5,400 as dividend

PC10.4: From the following information compute the income chargeable under the head 'Income from Financial Assets' for Mr. Jewel for the current income year: value of 15% tax-exempt government securities Tk. 30,000; interest on tax-exempt povernment securities Tk. 10,000, interest on taxable government securities Tk. 9,000: value of 1500 debenture Tk. 60,000: interest on 10% debentures Tk. 9,000, and income from zero coupon bond 1k 2,000. The bank has charged Tk. 1,500 for collecting the above extensis. In addition, he has taken a bank loan of Tk. 100,000 @ 6% interest to purchase the tax-exempt government securities.

PC10.5: From the given information compute the income chargeable under the head 'Income from Financial Assets' for Mr. Taleb for the current income year: interest on tax-exempt government securities Tk. 15,000; value of 15% taxable government securities Tk. 30,000; Tk. 9,500 as interest on 12% debentures; value of 15% debentures Tk. 80,000; and interest on Zero Coupon Bond Tk. 10,000.	è
The bank has charged Tk. 3,500 for collecting above interests. In addition, he has taken a bank loan of Tk. 100,000 @ 6% interest to purchase additional 10% approved company debenture on October 01 of the income year. He has also received Tk. 27,000 as interest on 5-year Bangladesh Savins Certificate.	n d
PC10.6: Mrs. Rabeya has Tk. 30,00,000 investment in Paribar Sanchaynatra and	1

Tk. 20,00,000 investment in 5 Year Bangladesh Sanchaypatra. She received interests of Tk. 270,000 and Tk. 180,000 respectively from these sanchaypatras.

You are required to determine the □ total taxable income from interest on savings instruments ☐ amount of tax liability on such income, if she has no other income ☐ amount of tax liability if she has income from employment Tk. 1,200,000 (Tk. 120,000 TDS), income from financial assets (bank deposit interest) Tk. 600,000 (Tk. 60,000 TDS) in addition to the above incomes from savings instruments.

PC10.7: During the income year, Mrs. Nilufar had the following amounts from his investments in savings instruments: Tk. 300,000 as interest on 5-Year Bangladesh Sanchaypatra; Tk. 160,000 as 3 monthly profit based Sanchaypatra (bought on October 01 of the income year); Tk. 100,000 as interest on Pensioner Sanchaypatra (cumulative investment amount reached to Tk 800,000 at the end of the income year); \$5,000 from US Dollar Bond (\$1 = Tk. 120 as on June 30, 2024).

Υοι	are required to determine the
	total taxable income from interest on savings instruments
	amount of tax liability on such income if she has no other income
	total income and net amount of tax liability on such income, if her cumulative
	investment in Pensioner Sanchaypatra reached to Tk. 400,000 at the end of the
	income year
	amount of tax liability if she has income from rent Tk. 600,000, income from
	employment Tk. 1,200,000 (on which Tk. 120,000 was deducted as TDS), income
	from financial assets (bank deposit interest) Tk. 600,000 (Tax Deducted on Source
	on which was Tk. 60,000) in addition to the above incomes from savings

instruments.

ANSWERS

		* **	H(M(TE OH	#ST	TON	4				T	RUE/FALSE
NEL I	f lata	2 4 7	di A	4	Ď	ÄÇ.	8	0	10	1	2 3	4 5
d	; h	R	B	đ	đ	1.	đ	b	2	. T	F	FF
SFL	j Ri	EVIE	VA 16	.1		-22	(u		(h)		, (c)	(d)
1	est teo to and 2,10,00	3, 10	10 PS			13.	16.500		k 20,00		25,200)
1	200,00 cvem	0.3(1				Ťλ	16,500 No		20,00) 00 Tk	25.200 Ni	
(a) I	F RF ne fren mercul ans fi	e <i>Inte</i> on ta	rest o	mpt j			nt securi	ties		Tk	5,000 5,000	Tk.
(b) 1 (c) 1 (d) 1		on to on de from	cuable chenti seros	: gove ures -coup			curities			Tk	2.000	4,000 26,000
(e) h	merevi Presiden	on be	ank de		ts (gr	ONE)				a dha	red sisteme.	3,000 1,000 Tk. 34,000

11

Income from Other Sources and Additional Heads of Incomes

You can't tax business. Business doesn't pay taxes. It collects taxes."
— Ronald Reagan

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

CLO 11.1 understand the concept of other income identify basic components of other income

CLO 11 3 apply taxability on different components of other income
CLO 11 4 recognize various income not classified elsewhere

CLO 11.5 apply TDS on different components of other income

CLO 11.6 list income subject to minimum tax

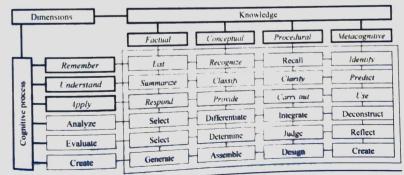
CLO 11.7 understand the concept of additional heads of income

KEY TERMS

Fees, Royalty, Lottery, Unexplained investments, spouse, Partnership firm, minor child, Average rate, Admissible expenses, Clubbing of income

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and the first three levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



CLO 11.1

INTRODUCTION

Introduction

Income from other sources is the last income head out of seven as section 30 of ITA Income from other sources is the total from employment, financial assets, rent comes other than from employment, financial assets, rent capital gains will be included under this. 2023 identified. The incomes office agricultural income, business, and capital gains will be included under this head. In agricultural income, business, and the advantage agricultural income which do not fit in anywhere under the first six heads, it will be case of incomes which do not fit in anywhere under the first six heads, it will be considered under the head "Income from Other Sources".

CLO

111 11.2

SCOPE OF INCOME FROM OTHER SOURCES

According to section 66 of the ITA. 2023, the following incomes of an assessee shall be classified and computed under the head "Income from Other Sources", namely

- royalties, license fee, fees for technical services, and income from allowing the right of using intangible assets:
- ☐ Cash subsidy paid by the government;
- ☐ Income from transfer of assets, that is natural or created by any person other than mineral deposits & hydrocarbons and goodwill;
- Receipt of any contribution, donation or gift, whatever its name may be:
- any other income of any kind or from any source which is not classifiable under any of the other heads specified in Section 30.

11.3 CLO

11.2

11.3

11.5

ROYALTY

Royalty means consideration including any lump sum excluding any return which is classifiable as income of the recipient under the head "Capital gains" for [Sec 2(79)] -

- ☐ transfer of all or any rights, including the granting license of a patent, invention model, design, secret process or formula/trade mark or similar property;
- ☐ the imparting of information of the working of, or the use of, a patent, invention. model, design, secret process or formula/trade mark or similar property;
- ☐ the use of any patent, invention, model, design, secret process or formula, or trademark or similar property;
- ☐ the imparting of any information concerning technical, industrial, commercial, or scientific knowledge, experience or skill;
- ☐ the transfer of all/any rights, including granting license or any copyright of cinematograph film, but not including consideration for sale, distribution or exhibition of such cinematograph films;
- the rendering of any services in connection with any of the aforesaid activities.

Explanation: For royalty of any right, property/information, it is not necessary that-

- $\hfill \Box$ the possession or control of such right, property or information is with the payer, $\hfill\Box$ such right, property or information is used directly by the payer;
- $\hfill\Box$ the location of such right, property or information is in Bangladesh.

Royalty Income Deemed to Accrue or Arise in Bangladesh

According to section 27 of the ITA, 2023, following royalty income shall be deemed to accrue or arise in Bangladesh. Any income by way of royalty payable -

Chapter - 11 Income from Other Sources & Additional Heads of Income

by the	Government; or
	The fit, of

- by a person who is a resident, except where the royalty is payable in respect of any right, property or information used or services utilized for the purposes of a business or profession carried on by such person outside Bangladesh or for the purposes of making/earning any income from any source outside Bangladesh; or
- by a person who is a non-resident where the royalty is payable in respect of any right, property or information used or services utilized for the purposes of a business or profession carried on by such person in Bangladesh or for the purposes of making or earning any income from any source in Bangladesh.

TDS from Royalty Income

Where any payment is to be made by a specified person [U/S 140(3)] to a resident as royalties, franchise or license, trademark, patent, copyright, design, plant variant, global direction product or any other intangibles, the person responsible for making the payment shall, at the time of making payment or crediting the amount, deduct income tax on the base amount at the rate specified below [section 91].

Base amount does not exceed Tk. 25 lakh	7	TDS @ 10%
Base amount exceeds Tk. 25 lakh	<u></u>	TDS @ 12%

Note: TDS from Royalty income etc. is the minimum tax from such amount u/s 163.

Chargeability of Tax on Royalty Income: Points to Remember

- ☐ If the royalty is received on a regular yearly basis, it is to be shown as the income in the year when it is received.
- Royalty income is fully taxable as no exemption is allowed.

11.4

CLO

11.2

11.3

11.5

FEES: LICENSE, PROFESSIONAL & TECHNICAL SERVICE

The term "License Fee" has not been defined in the ITA, 2023. Generally, license fee means a payment made to a person or a company or an organization (licensor) for the permission to do or use something. For example, license fees are usually paid for the right to use software and patents.

Similarly, "Fees for technical services" means any consideration (including any lump sum consideration) for the rendering of any managerial, technical or consultancy services (including the provision of services of technical or other personnel) but does not include consideration for any construction, assembly, mining or like project undertaken by the recipient, or consideration which would be income of the recipient classifiable under the head "Income from Employment" [section 2(30)].

Fees for Technical Services Deemed to Accrue or Arise in Bangladesh Following fees for technical services shall be deemed to accrue or arise in Bangladesh [section 27(f)]. Any fees income for technical services payable --

by the Government; or
 by a resident person, except if such fees are payable in respect of services utilized in a business and carried on by any such person outside Bangladesh or for making or earning any income from any source outside Bangladesh; or making or earning any income from any source outside Bangladesh; or
 by a non-resident person where such fees are payable in respect of services utilized in a business/profession carried on by such person in Bangladesh or for the purposes of making or earning any income from any source in Bangladesh.

TDS from Fees for Services

Where any payment is to be made by a specified person to a resident as fees for any service, the person responsible for making the payment shall, at the time of making payment deduct income tax at the rate of 20% (Twenty percent) [section 90].

Note: TDS from Royalty income etc. is the minimum tax from such amount u/s 163.

Chargeability of Tax on Fees for Technical Services: Points to Remember

- ☐ Fees for Technical Services are taxable in the year when it is received or in the year when it is deemed to accrue or arise in Bangladesh.
- ☐ It is considered minimum of tax liability as per section 163.

Example: Mr. Y has received Fees for technical services from Hasan Traders Tk. 16,000. His taxable income should be Tk. 20,000 [16,000 \times 100 \div 80] Tk. 20,000, which should also be considered as minimum tax liability as per section 163.

11.5

CLO

11.2

11.3

CASH SUBSIDY PAID BY THE GOVERNMENT

A subsidy is a benefit given to an individual, business, or institution, usually by the government. The subsidy is typically given to remove some type of burden, and it is often considered to be in the overall interest of the public, given to promote a social good or an economic policy. Cash subsidy paid by the government shall be considered under the head "Income from Other Sources". 10% TDS is applicable on export cash subsidy under section 112 which is a final payment of tax as specified under SRO 253-Law/IT-09/2023 dated 23/08/2023.

Example: Mr. X has received Tk. 100,000 as cash subsidy from the government. Full amount will be considered as income under the head "Income from Other Sources".

11.6

INCOME FROM TRANSFER OF ASSETS

Income from transfer of assets, that is natural or created by any person other than mineral deposits & hydrocarbons and goodwill, is taxable as income from other sources. Such as, income from transfer of machinery, plant, furniture etc. and any other assets, including intangible, is taxable as income from other sources. In this case the transfer does not constitute a business activity.

Example: Mr. X has received income from transfer of personal car Tk. 5,000 and from transfer of multimedia projector Tk. 10,000. Both of these two incomes are fully taxable and to be considered as income under the head "Income from Other Sources".

11.7

CLO

11.2

11.3

RECEIPT OF ANY CONTRIBUTION, DONATION OR GIFT

Receipt of any contribution, donation or gift, whatever its name may be, shall be recorded under the head "Income from Other Sources". According to Para 35, Part 1 appears in the returns of the donor and the recipient shall be excluded from computation of gross income. It is to be provided that in a case where the said donation is repatriated from abroad to the recipient in Bangladesh through banking channel, the condition of appearing in the donor's return shall not apply.

Example: Mr. X has received Tk. 100,000 as gift from his (a) friend Y and (b) father. For (a) full amount will be considered as income under the head "Income from Other Sources". However, gift from father [as in (b)] will be excluded from the income computation.

11.8

State 1 ...

11.2

11.3

TYPICAL INCOMES (UNEXPLAINED INVESTMENTS) TO BE INCLUDED UNDER INCOME FROM OTHER SOURCES

According to section 67 of the ITA, 2023, the following typical incomes of an assessee (mostly unexplained investments and expenditures) shall also be classified and computed under the head "Income from Other Sources":

- ☐ Unexplained credits [section 67(2)]: Any sum credited in the books of an assessee maintained for any income year and the assesses offers no explanation about the nature and source thereof, or the explanation offered is not satisfactory, the sum so credited shall be deemed to be his income for that income year classifiable under the head "Income from other sources".
- Unexplained increase in net wealth [section 67(3)]: Where, in any income year, the assessee becomes the owner of any asset or takes any loan or made spending or do any transaction that influences the value of his assets, and if total value of (A+B+C) exceeds (D+E+F), the amount equal to the [(A+B+C) (D+E+F)] shall be deemed to be the income of the assessee for such income year under "Income from other sources", where A: Increases in net wealth; B: Total expenses made; C: Other expenditure except A & B from fund; D: Total income; E: Tax exempted income and allowance; and F: Other receipts/sources except D & E.
- Purchase of assets at a price lower than the fair market value [section 67(4)]:

 Where any assets, not being stock-in-trade or financial assets, are purchased by an assessee from any person and the DCT has reason to believe that the price paid by the assessee is less than the fair market value thereof, the difference between the price so paid and the fair market value shall be deemed to be income of the assessee under the head "Income from other sources".

Income Tax—230

CLO

11.2

11.3



Mr. Samad has received royalty where the base amount is (a) Tk. 10,00,000 (2) Tk. 30,00,000. What tax will be deducted at source u/s 91?

- ☐ Goodwill money or compensation [section 67(5)]: Where any amount is received by an assessee during any income year by way of fee, commission, goodwill money or receipt in the nature of compensation or damages for cancellation or termination of contracts and licenses by any person, such amount shall be deemed to be the income of such assessee for that income year classifiable under the head "Income from other sources". ☐ Salami or premium for granting leases [section 67(6)]: Where any lump sum amount is received or receivable by an assessee during any income year on account of salami or premia receipts by virtue of any lease, such amount shall be deemed to be income of the assessee of the income year in which it is received and classifiable under "Income from other sources". □ Payment made without deducting taxes for acquiring assets [section 67(7)]: Where any payment made for acquiring any asset or constitutes any asset and tax has not been deducted therefrom in accordance with Part 7 of the ITA, 2023 such payment shall be deemed to be the income of the person responsible for making the payment under this Ordinance and classifiable under the head "Income from other source" in the income year in which the payment was made. Benefit or advantage for cancellation of indebtedness [section 67(8)]: Where any benefit or advantage, whether convertible into money or not, is derived by an assessee during any income year on account of cancellation of indebtedness the money value of such benefit shall be deemed to be his income for that income year as "Income from other sources". Provided that the provisions of this subsection shall not apply in case of
 - a loan or interest waived for an individual assessee by a commercial bank or a finance company registered under Finance Company Act, 2023;
 - a benefit or advantage, of an individual assessee, upto Tk. ten lakh [10 lac] resulting from the waiver of margin loan or interest thereof by a registered merchant banker and portfolio manager or stock broker under Bangladesh Securities and Exchange Commission Act, 1993 or rules made thereon in respect of the assessee's investment in securities transacted in the stock exchange;
- □ Winning from lotteries, crossword prizes etc. [section 67(9)]: Any amount received by an assessee during any income year by way of winnings from lotteries, crossword puzzles, card games and other games of any sort or from gambling or betting in any form or of any nature whatsoever shall be deemed to be his income for that income year under the head "Income from other sources".

Chapter - 11 Income
Chapter - 11 Income from Other Sources & Additional Heads of Income Disclosing Investment
a company, not listed with any stock exchange, receives paid up capital from any or bank transfer, the amount of paid up capital shall be deemed to be the income of such company for that income year under 'Income from other sources'. Provided that the provisions of this sub-section shall not apply if the capital is Act, 1994 (Act No 18 of 1994), Receipt of loan by a company other than bank transfer [section 67(11)]: Where any sum is claimed or shown to be shared to provide that the provisions of the sub-section shall not apply if the capital is Act, 1994 (Act No 18 of 1994).
assessee for the income year in which
included in the total income of the Assessee, is repaid in a subsequent income

□ Purchase or hire of car at a price exceeding 10% of paid up capital [section 67(12)]: Where an assessee, being a company, purchases directly or on hire one or more motor car or jeep and value of any motor car or jeep exceeds ten percent of its paid up capital together with reserve and accumulated profit, then fifty percent of the amount that exceeds such ten percent of the paid up capital together with reserve and accumulated profit shall be deemed to be the income of such assessee for that income year classifiable as "Income from other sources".

Assessee for that income year;

year, the repaid amount shall be deducted in computing the income of the

- ☐ Receipt of loan by an individual assessee other than bank transfer [section 67(13)]: Where any sum exceeding Tk. 5 (five) lac is claimed or shown to have been received as loan, advance or deposit of any kind called by whatever name, or gift by an assessee, being an individual, otherwise than by a crossed check or bank transfer, from an individual, the amount is deemed to be the income of such assessee for the income year in which such loan, advance or deposit of any kind called by whatever name, or gift was received, and shall be classifiable under the head 'Income from other sources'. Provided that the provisions of this subsection shall not apply in case of
 - such is received through a banking channel or involved a formal channel and is from the assessee's spouse/parents/sons/daughters and are shown in the return of both donor and the recipient.
 - · deposits received by any organization registered with a Bank or finance company or an organization registered with Micro Credit Regulatory Authority or NGO Affairs Bureau.
- □ Defaulter in due payment for purchase by real estate business [section 67(14)]: Where an assessee, not being an assessee engaged in real estate business during any income year, purchases on credit any material for the purpose of construction

Chapter - 11 Income from Other Sources & Additional Heads of Income EXHIBIT

of building or house property or its unit and fails to pay the sum or any pan of building or house properly in respect of such purchase, the sum or any part thereof representing the liability in respect of such purchase, the sum or any part thereof representing the theorem and within two years from the end of the income thereof, which has not been paid within two years from the end of the income thereof, which has not come was made, shall be deemed to be the income of the year in which the purchase of the assessee for the income year immediately following the expiry of the said two years and be classifiable under the head "Income from other sources"

Examples of Unexplained Investments

11.9 010 11.4

INCOME NOT CLASSIFIED UNDER ANY HEAD

According to section 30 of the Income Tax Act 2023, for the purpose of charge of income tax and computation of total income, seven heads of income are used, namely from employment, financial assets, rent, agricultural income, business, capital gains and income from other sources. As per Section 66 of the Income Tax Act 2023 incomes which don't fall under any of the first six categories, will be included under the head "income from other sources".

But in the "Specimen Form of Income Tax Return - IT Ga (2023)" under the Income Tax Return Rules, 2023 total 10 heads have been listed. Among those the additional heads are Share of profit in a firm or AOP, Income of the spouse or minor child as applicable under section 31 and foreign income. So, incomes which don't fall under any category of the above nine items will fall under the head "Income from Other Sources". Such as:

Sum received by virtue of position or service, not from employer, i.e., director's
fee.
Insurance commission
Honorarium from writing articles in newspapers, magazines or journals.
Remuneration as examiner and invigilator.
Income received from vacant land adjacent to assessee's house.
Royalty from mines.
Income from Ferry Ghat.
Income from Tuition.
Income from undeclared money, or black money, if identified.
Income from underwriting commission for sale of shares and securities.
Income from patent / license.
Income from Television or Radio for participating in a program.
Non-agricultural income: sale of forest timber or fruits or honey or fish (other
than firm)
Income from rent of boat.
Income from letting out household appliances like furniture, machineries;
income from sub-letting of a house property by a tenant:
Casual income;
Income from undisclosed sources;
Interest received on delayed refund
Any other income not classified under any head,

Case 1: Mr. X has shown cash credit of Tk. 5,000 in his books of account in the income year for which no case 1: Management of the Special Section of the Special Section of the second of the

Case 2: Mr. X has shown an investment of Tk. 15,000 against purchase of jewellery. But the DCT in his investigation has found that the actual value of jewelleries purchased is Tk. 20,000. Here, the excess amount Tk.

Case 3: In an investigation it has been found that Mr. X has visited India as a tourist where he spent Tk. 65,000 and in addition to it also purchased ornaments of Tk. 40,000 for his wife. He was not able to provide satisfactory explanation about the sources of this expenditure. The total unexplained expenditure of Tk. (65,000 + 40,000) =

Case 4: Mr. X has made investments of Tk. 50,000 in the financial year preceding the assessment year and neither he has shown it in his books nor offers any satisfactory explanation regarding the source of fund. The invested amount Tk. 50,000 will be considered as an income.

Case 5: In an investigation in the financial year immediately preceding the assessment year, it has found that Mr. X owns cash of Tk. 200,000; jewellary of Tk. 45,000, land of Tk. 200,000. He has not shown those in his books and offers no satisfactory explanation regarding the source of fund. So, the unexplained asset of Tk. (200,000 + 45,000 + 200,000) = Tk. 445,000 will also be considered as an "Income from other Sources".

Case 6: An investigation reveals that Mr. X's claim of paying Tk. 10 lac to acquire a car from Navana Motors Ltd is with a fair market value of Tk. 12 lac. The DCT has no reason to believe the explanation of the assessee. So, the difference between the values (reported and fair value) Tk. 2 lac will also be considered as an income.

Case 7: In an investigation, it has seen that Mr. X has received Tk. 12,000 on account of salamy in the income year 2023 - 24 by virtue of a lease. So, Tk. 12,000 will be recorded as an "Income from other Sources".

Case 8: In an investigation, it has been seen that Mr. X has received Tk. 35,000 as compensation from a party for cancellation of contracts. This Tk. 35,000 will also be considered as an "Income from other Sources".

Case 9: In an investigation, it has been seen that Mr. X has got a benefit of Tk. 15,000 from his bank on account of cancellation of indebtness. Hence, Tk. 15,000 will also be considered as an "Income from other Sources".

Case 10: In an investigation, it has seen that Mr. X has received Tk. 10,000 as commission for termination of agency. Here, Tk. 10,000 will be considered as "Income from other Sources".

Case 11: X Ltd., a Private Limited Company, has issued additional 10,000 shares @ Tk. 10 each to increase the paid-up capital and the proceed has been received in form of cash. In this case Tk. 100,000 will be shown under the head "Income from other Sources" as the amount has not been received by cross check or bank transfer.

Case 12: X Ltd., a Private Limited Company with paid up capital of Tk. 10,000,000. The company has purchased a car for Tk. 1,500,000. In this case, 50% of the amount that exceeds such ten percent of the paid-up capital i.e. 50% of (1,500,000 - 1,000,000) = 50% of Tk. 500,000 = Tk. 250,000 will be shown as income from other sources.

Case 13: Mr. X has received Tk. 100,000 from lottery, Tk. 10,000 as a reward from prize bond, Tk. 10,000 from online game and Tk. 40,000 for being man of the match in a game. Here, Total 160,000 will be considered as "Income from other Sources". But from all those items tax will be deducted at source @ 20% as minimum tax.

Case 14: ABC Builders Limited has purchased material of Tk. 100,000 on account for construction of building during income year 2019-20 and failed to pay the amount due within the following two income years 2019-20 and 2021-22. Here, in the income year 2022-23, Tk. 100,000 will be shown under "Income from other Sources".

11.1

100 - 2 de .

CLO

113

CLO

11.3

CLO

11.6

EXHIBIT

ALLOWABLE DEDUCTIONS [SECTION 68]

Following expenses are allowed to deduct from 'income from other sources':

Following expenses are an expenses are an expenses of the assessee.

Any expenditure, not capital in nature or personal expenses of the assessee. Any expenditure, that course of making or earning the relevant income, For incurred solely for the purpose of making or earning the relevant income, For incurred solety for the puppers of the incurrence of such expenditure must be

No expenses will be allowable against the income earned under section 67 [except sections 67(5) & 67(6)].

INADMISSIBLE DEDUCTIONS [SECTION 69]

Notwithstanding anything of this section, no allowance shall be made on account of any expense allowed against any assets partly or wholly in any income year, shall

not be admissible again against the same asset. The limitations and limit of allowable expenses u/s 55 should be applicable in

similar issues under this head.

11.12 TAX RATE FOR LOTTERY INCOME, WINNING PRIZES ETC.

According to section 118 of the ITA, 2023, the person responsible for paying any amount of winning from lotteries, crossword puzzles, card games, online game and other games of any sort shall, at the time of making such payment, deduct tax payable on the amount at the rate of twenty (20%) percent. This is considered as minimum of tax under section 163.

Points to Remember in Computing Taxable Income

Exemption Less Taxable income under the head Gross Income Admissible expenses (if applicable) 'Income from other sources's

Incomes that don't fall under any other head, are to be included under "Income from Other Sources"

Incomes that need to be grossed up [amount received \times 100 \div 90] include royalty income, fees from technical services, etc.

Admissible expenses: any revenue expenditure incurred for making earnings.

Income from other sources also includes any commission/fee received from parties other than employer, income from prize bond/lottery/quiz competition/crossword, royalty income from books/mine/Ferri, income/commission/fee as remuneration of director, non-agricultural income like sale of forest trees, sale of fruits, sale of honey, sale of fish of pond (other than firm) etc., income from invigilation & exam script evaluation, writing articles/columns in newspapers, participating in radio/TV/cultural programs, lease of non-agricultural land, tuition, underwriting commission for sale of shares and securities, income from nonresident husband/wife (If not brought through banking channel), income from patent/license, income from rent of boat/mooring terminal, income from letting out household appliances like furniture etc. unexplained Investments deemed to be Income u/s 67, any other income not classified under any head.

ADDITIONAL HEADS OF INCOMES

For charge of income tax and computation of total income, seven heads of income are used, namely from employment, financial assets, rent, agricultural income, business, capital gains and income from other sources [Sec. 30]. As per Section 66 of the ITA, 2023, incomes which don't fall under any of the first six categories, will be included under the head "income from other sources". But in the "Specimen Form of Income Tax Return - IT Ga (2023)" under the Income Tax Return Rules, 2023 total 10 heads have been listed. Among those the additional heads are Share of profit in a firm or AOP, Income of the spouse or minor child as applicable u/s 31 and foreign income.

SHARE OF INCOME FROM FIRM OR AOP

Partnership is an abstract relationship between the partners under certain circumstances. This is governed by the Partnership Act, 1932. As assessment is done for individuals, it is also done for a Partnership Firm. If an assessee is a partner of a firm and receives a certain amount of money as share of income from the firm, it will be shown separately in the Income tax return under the head "Share of income from firm or AOP".

FOREIGN INCOME 11.15

CLO

11.7

CLO

11.7

CLO

11.7

According to section 26(a) of the ITA, 2023, all those incomes which accrue or arise outside Bangladesh is included under the head "Foreign Income". According to section 26(a)(iii), the total income of any income year of a resident [whether Bangladeshi or foreigner] also includes, all income, from whatever sources derived which accrues or arises to him outside Bangladesh during that year. So, foreign income is taxable for residents. But for a non-resident [whether Bangladeshi or foreigner], this will not be considered as foreign income; and hence will not be included in total income. It should be noted that foreign income doesn't include any income from export as it is considered under "Income from Business".

Terms of Foreign Income

According to section 27 of the ITA, 2023, some incomes accrue or arise in Bangladesh may be considered as foreign income and some other income accrue or arise outside Bangladesh may not be considered as foreign income. Such as -

- Any income which falls under the head "income from employment", wherever [even in outside Bangladesh] paid if it is earned in Bangladesh; or it is paid by the Government or a local authority in Bangladesh to a citizen of Bangladesh in the service of such Government or authority; will be considered as income deemed to accrue or arise in Bangladesh. i.e., domestic income [section 27(a)];
- Any income accruing or arising, whether directly or indirectly, through or from-(a) any permanent establishment in Bangladesh; or (b) any property, asset light or other source of income, including intangible property, in Bangladesh; or (c) the transfer of any assets situated in Bangladesh; or (d) the sale of any goods or

11.16

CLO

11.7

INCOME OF THE SPOUSE OR MINOR CHILD

An assessee is generally taxed in respect of his own income. However, there are certain cases whereas assessee has to pay tax in respect of income of another person. The provisions for the same are contained in section 31 of the ITA. These provisions have been enacted to counteract the tendency on the part of the taxpayers to dispose of their property or transfer their income in such a way that their tax liability can be avoided or reduced. For example, in the case of individuals, income tax is progressive i.e., as the income increases, the applicable rate of tax increases. Some taxpayers in the higher income bracket have a tendency to divert some portion of their income to their spouse, minor child etc. to minimize tax burden. To prevent such tax avoidance, clubbing provisions have been incorporated in the ITA, 2023, where income arising to certain persons (like spouse, minor child etc.) have to be included in the income of the person who has diverted his income for the purpose of computing tax liability.



Mention the status of "Foreign Income" in computing total income of an assessee in terms of his residential status.

SOLVED PRACTICAL CASES (SPC)

SPC 11.1

Total

LOTTERY INCOME, ROYALTY INCOME, UNEXPLAINED EXPENDITURES ETC.

Compute taxable income for Mr. Zaman considering his income for the year includes

remuneration for exam script evaluation and invigilation Tk. 1,000; prize of winning prize bonds lottery Tk. 24,000; sale of fish of pond Tk. 1,000; sale of tree and bamboo Tk. 1,500; income from copyright and royalty Tk. 4,000; remuneration as director Tk. 15,000; income from marriage anniversary Tk. 5,000; and income from license Tk. 2,000. During the year he has purchased jewellery of Tk. 125,000, source of which has not been explained to the DCT.

Assessee: Zaman	Assessment Year: 2024 - 2025	Inco	me Year: 20	023 – 2024
ARDOGOGOGO EL ELLETTE				Amount
Income from other sources (section	on 00)		TI	c. 1,000
Remuneration for exam script eva	luation			30,000
Prize of prize bond lottery (24,000) ± 80 × 100)	1 2 2 2 1		1,000
Sale of fish of pond			7.	1,500
Sale of tree and bamboo			1	4,000
Income from copyright and royalt	y (note 1)		100	15,000
Remuneration as director				2,000
Income from license				125,000
Unexplained investment to purcha	ise jewelry		T	k. 179,500

services by any electronic means to purchasers in Bangladesh; or (e) any intangible property used in Bangladesh; will be considered as income deemed to accrue or arise in Bangladesh. i.e., domestic income [section 27(b)];

- where the shares of any non-resident company is transferred, wherever the transfer takes place, proportional transfer value associated to the transfer of assets in Bangladesh shall be considered as the transfer of assets in Bangladesh i.e., domestic income [section 27(c)];
- □ Any dividend paid outside Bangladesh by a Bangladeshi company will not be considered as foreign income [section 27(d)];
- Any income by way of interest payable, fees for technical services payable and royalty payable even if it is deemed to accrue or arise outside Bangladesh, will be domestic income if
 - It is paid by the Government; or
 - It is paid by a person who is a resident or non-resident, where the interest, fees and royalties are payable in respect of any debt incurred, or moneys borrowed and used, for the purposes of a business or profession carried on by such person in Bangladesh or for the purpose of making or earning any income from any source in Bangladesh [section 27(e)(f)];
- But, any income by way of interest payable, fees for technical services payable and royalty payable will be considered as *foreign income*, if the interest, fees and royalties is payable in respect of any debt incurred, or moneys borrowed and used, for the purposes of a business or profession carried on by such person outside Bangladesh or for the purpose of making or earning any income from any source outside Bangladesh [section 18(e)(f)].

Income Tax on Foreign Income

According to various provisions of the ITA, 2023 and SROs, following rules will be applicable for charging tax on foreign income:

- Excluding company, if any individual assessee being a Bangladeshi citizen brings any income deemed to accrue or arise outside Bangladesh through banking channel, such income will be tax exempted and will not be included in total income [Sixth Schedule, Part 1, Para 17].
- But if it is not brought through banking channel, it will be included in total income, and hence will be taxable at normal rate.
- If a non-resident Bangladeshi other than company sends foreign remittance through banking channel, or invests it in a new local industry, shares, debentures or any government bond, no tax will be charged on it.



What are the additional heads of income under the IT Return Rules, 2023?

Chapter - 11 Income from Other Sources & Additional Heads of Income

Notes: (1) Assuming copyright and royalty has been received from a person, hence no TDS is allowed (2) Income from marriage anniversary is a gift hence exempted from income tax

income from delivering a speech in a seminar Tk. 3,500. During the year he spent Tk. 200,000 on the marriage ceremony of his only daughter, the source of expenditure remained unexplained to the DCT. He has also visited India along with his family where he spent Tk. 100,000 and purchased a jewellery set of Tk. 50,000 for his wife for which the source of the money was unexplained.



LOAN AMORTIZATION, UNEXPLAINED EXPENDITURES, INVESTMENT

	Mr. Mustaq has earned the following incomes for the current year. Compute h taxable income considering his income from royalty of a book Tk. 2,000; income from a part-time job Tk. 10,000; prize of winning crosswords Tk. 1,600; income fro letting out household machineries Tk. 1,000; sale of forest timber Tk. 1,500; rent of shop owned by him Tk. 4,000; gain from loan amortization Tk. 10,000; income fro a newspaper for column writing Tk. 5,000; and income from unused leased land T 2,000. During the year he spent Tk. 200,000 on a party in Hotel Radisson, the sour of this expenditure remained unexplained to the DCT. He has also visited Singapoincurring total cost of Tk. 100,000 and purchased a diamond set of Tk. 175,000 fc his wife for which the source of the money was unexplained. He has paid Tk. 100 commission for collecting the royalty.
--	--

Assessee: Mustaq	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
Income from other sources (s	ection 66)	Amount
Income from royalty of a book	(Tk. 2,000
Income received from a part-ti	ime job	10,000
Prize of winning crosswords (1,600 - 80 × 100)	2,000
Income from letting out house	hold machineries	1.00
Sale of forest timber		
Income from rent of a shop		1,500
Gain from loan amortization		
Income from newspaper colum	in writing	10,000
ncome from unused leased lan		5,000
Jnexplained investments (note	1)	2,000
(,	475,000
ess: Allowable deductions (no	nte 2)	Tk. 512,500
otal	36 2)	1,000
		Tk. 511,500

ont Voor: 2024 2025

Notes: (1) unexplained investments Tk. 475,000 include party in hotel Tk. 200,000, travel to Singapore Tk. 100,000, and purchase of diamond jewellery Tk. 175,000 (2) Allowable deduction Tk. 1,000 include commission for collecting royalty.



HONORARIUM, AGENCY COMMISSION, C&F COMMISSION

Compute taxable income of Mr. Jaber for the current income year considering his honorarium from a Symposium Tk. 35,000; honorarium received as a resource person for providing training Tk. 5,000; royalty income from a company Tk. 1,800; commission received as insurance agent Tk. 9,500; prize of winning Crosswords Tk. 2,400; commission from clearing and forwarding (C&F) agency business Tk. 5;950; amount received as director's fee Tk. 1,500; income from private tuition in a coaching center Tk. 10,000; income from a newspaper for column writing Tk. 5,000; and

Assessee: Jaber Assessment Yea	r: 2024 – 2025	Income Ve	ear: 2023 – 2024
Income from other sources (section 66)	1-1-1-13	- OMITTALE TO	M. Alle
Honorarium for attending a symposium			Amount
Honorarium from a training program			Tk. 35,000
Royalty income from company $(1,800 \div 90 \times 100)$			5,000
Commission as insurance agent $(9,500 \div 95 \times 100)$			2,000
Commission as insurance agent (9,500 ± 95 × 100)			10,000
Prize of winning crosswords $(2,400 - 80 \times 100)$			3,000
Commission from C&F business (5,950 ÷ 85 × 100))		7,000
Director's fee			1,500
ncome from private tuition			10,000
ncome from newspaper column writing			
Income from speech			5,000
Unexplained investments (note 1)			3,500
			350,000
Total			Tk. 432,000

Note: (1) unexplained investments include expenditure in daughter's marriage Tk. 200,000, travel to India Tk. 100,000, and purchase of jewellery Tk. 50,000.



UNIT FUND DIVIDEND, COMPENSATION, FAIR VALUE OF INVESTMENT

Compute taxable income for Mrs. Zaman considering her income for the current income year as: fees for technical services from a foreign contractor Tk. 18,000; winning prize bonds lottery Tk. 20,000; receipt of salami for granting leases Tk. 10,000; compensation received for contract termination Tk. 15,000; income from copyright and royalty Tk. 4,000; and income from participating in a television talk show Tk. 2,000, income from transfer of a painting drawn by him Tk. 5,000; receipt of gift from his friend Tk. 10,000. During the year she has purchased a flat at Tk. 6,000,000. After an investigation, the DCT found the fair market value of the flat is Tk. 6,175,000.

	100	be it	- 4 1	1.00
Assessment Year: 2024 - 202	25	Income	Year: 202	3 - 2024
ion 66)		,	1 2 2 A	mount
8,000 ÷ 90 × 100]		.*	Tk.	20,000
× 100]			1	25,000
				10,000
				15,000
ty (note 1)	11	1 ,	10.00	4,000
			e for a	2,000
	1 /1 1	21	100	5,000
	on 66) 8,000 ÷ 90 × 100] × 100] y (note 1)	Assessment Year: 2024 – 2025 (on 66) 8,000 ÷ 90 × 100] × 100]	Assessment Year: 2024 – 2025 Income (on 66) 8,000 ÷ 90 × 100] 4 100] y (note 1)	(no 66) 8,000 ÷ 90 × 100] (x 100]

Gift from friend Unexplained investments [6,175,000 - 6,000,000]

10,000 175,000 Tk. 266,000

Note: (1) Assuming copyright and royalty has been received from a person, hence no TDS is allowed.

SPC 11.5

Total

COMPUTING TAX LIABILITY

Mr. Salam has earned incomes for the current income year as: salary Tk. 600,000 Mr. Salam has earlied incomplete and the salam has earlied including employer's contribution to RPF Tk. 30,000); income from underwriting shares of a company Tk. 3,000 and from mooring terminal Tk. 15,000; honorarium received as director of a Board Tk. 1,000; interest on loan given to a friend Tk. 1,000. income from consultancy work not related to his profession Tk. 4,000; income from participating in a training Tk. 10,000; receipts from Birthday Party Tk. 5,000; and income from lump sum royalty of a book Tk. 40,000 from a sole tradership publishing house. It took him two years to write the book. During the year he spent Tk. 2 lac to purchase a piece of land, Tk. 90,000 to purchase a motorcycle and the source of these investment remained unexplained to the DCT. Through investigation, the DCT has also identified an FDR of Tk. 5 lac in a local bank which has also not been explained He has also visited India incurring total cost of Tk. 1 lac and purchased a diamond set of Tk. 1 lac for his wife for which the source of the money was also unexplained. His other expenditures during the year include purchase of books and magazine Tk. 5,000: donation to Government's Zakat Fund Tk. 200,000; contribution to a DPS Tk. 12,000 per month; purchase of a cow for 'Qurbani' Tk. 15,000; purchase of a lapton Tk 130,000 and purchase of primary shares Tk. 30,000. Compute taxable income and tax liability of Mr. Salam for the year considering TDS from his salary during the year was Tk. 40,000 and net wealth Tk 6 crore at the end of the income year.

Assessee: Salam Assessment Year: 2024 – 2025	Income Year: 2023 - 2024		
Particulars of Total Income	Section	Amount	
Income from Employment	32	Tk. 600,000	
Income from other sources (workings 1)	66	1.064,000	
Total income	00	Tk. 1,664,000	
Tax computation and Payment			
Gross tax before tax rebate (workings 2)			
Less: Tax rebate (Schedule 5)		Tk. 182,800	
Net tax after tax rebate (a)		49,920	
Minimum tax (b)		132,880	
Net amount payable [higher of (a) and (b)]		5,000	
Add: Surcharges –		132,880	
Net Wealth Surcharge (10%)			
Environmental Surcharge	Tk. 13, 288		
add: Interest, fine, or any other payment under ITA, 2023		13, 288	

Total Amount Payable		
Less: Payments-	Section 1	146,168
a. Tax deducted or collected at source		100
b. Advance tax paid	Tk. 40,000	3 Y
c. Adjustment of tax refund		1
d. Amount paid with return [Balancing figure]	-	September 1
Total amount paid and adjusted $(a + b + c + d)$	106,168	
Deficit or excess		Tk. 146,168
Tax exempted income		Tk
Tax error t		Tk -

Schedule 5

Particulars of investment allowance	
Fmployer's and Employee's contribution	Amount
Employer's and Employee's contribution to RPF (30,000 + 30,000) Donation to govt. zakat fund	Tk. 60,000
3. Deposit pension scheme (max Tk. 120,000)	200,000
4. Primary share purchase	120,000
Total Allowable Investment	30,000
Tax Rebate	Tk. 410,000

A. 3% of total income* (Tk. 1,664,000 @ 3%)
B. 15% on total investment allowance (Tk. 410,000 @ 15%)
C. Tk. 1,000,000

Tk. 49,920

Lower of
Tk. 61,500

A, B, and C,
Tk. 1,000,000

i.e., Tk. 49,920

* excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable

Workings 1: Income from other sources

hornings 1. Income from other sources				
Income from underwriting shares			Tk.	3,000
Income from mooring terminal			ı K.	
Honorarium received				15,000
				1,000
Interest on loan given to a friend				1,000
Income from consultancy work				4,000
Income from training program				
				10,000
Income from royalty of a book				40,000
Unexplained investments (note 1)				990,000
Total				,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
rotat,		1	Tk. 1.	.064.000

Workings 2: Computation of gross tax liability

	On first Tk. 350,000	On next Tk. 100,000	On next Tk. 400,000	On next Tk. 500,000	On next Tk. 314,000	Total (Tk.) 1,664,000	
Rate	@ 0%	@ 5%	@ 10%	@ 15%	@ 20%	-	
Tax		5,000	40,000	75,000	62,800	182,800	

Notes: (1) Unexplained investment includes Tk. 200,000 for purchase of land, Tk. 90,000 for purchase of motorcycle, Tk. 500,000 for FDR in Bank, Tk. 100,000 for travel to India, and Tk. 100,000 for purchase of diamond set.

_		
	SP	
II	11.	6
1	\succeq	"

INCOME OF THE SPOUSE, MINOR CHILD, AND MARRIED DAUGHTER

Considering the followings, compute income of the spouse or minor child of Mr. X:

- ☐ Mr \ has purchased shares of Tk. 100,000 of a private limited company in the name of his wife from which his wife has received Tk. 36,000 as dividend. His wife has No e-TIN.
- write has vo € 111.

 Mr. X has gifted Prize bond of Tk. 20,000 to his 10 years old son. His son has received Tk. 100,000 as reward from winning the lottery.
- ☐ Mr. X has deposited Tk. 50,000 as fixed deposit in the name of his married daughter from which his daughter has received Tk. 5,000 as interest income.
- ☐ Mr. X has received Tk. 9,000 interest on the savings account of his minor child,

Assessee: X	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
Income of the spouse of	or minor child	Amount
Dividend income of the	spouse [36,000 ÷ 90 × 100]	Tk. 40,000
Interest on minor's ban	k account [(9,000 × 100) ÷ 90]	10,000
Total		Tk. 50,000

Notes: (1) It has been assumed that his wife has not submitted any return in her own name. (2) Income from any guited assets to the minor child or spouse will not be included in the total income. (3) Income from assets transferred directly or indirectly to the married daughter will not be included in the total income.

KEY POINTS

☐ Income not classified under any head is considered as income under this head. ☐ Examples of income from other sources are royalties, fees for technical services: cash subsidy from government, income from transfer of machinery, plants, etc. Royalty income is taxable in the year of receipt. ☐ Unexplained expenditures are "Income from Other Sources" as per section 67. TDS rate from export cash subsidy is 10% which is the final payment of tax. TDS on winning from lotteries, crossword puzzles, card games, online game, and other games of any sort is 20%. Any unexplained investment is treated as 'income from other sources'. According to the Income Tax Rule 2023, with heads specified in section 30 of the ITA, 2023, other additional heads are 'Share of profit in a firm', 'Income of the spouse or minor child' and 'foreign income'. ☐ If any resident assessee, other than a company, brings any foreign income through banking channel, such income will be tax exempted. The inclusion of other's income in the total income of an assessee is known as "Clubbing of Income" which basically indicates income of spouse or minor child. ☐ If the individual is not a partner in the firm in which the spouse or minor child has a share, the spouse's or minor child's share of profits in such a firm cannot be included under this section in the individual's total income.

MULTIPLE CHOICE QUESTIONS	2
1. Income from other sources excludes -	,

- (b) fees for services (c) foreign income (a) dividend income Under which section provisions regarding unexplained investments have been given? -(c) 68 (d) 22 will be an example of the final payment of tax. TDS on (a) royalty (b) fees for technical services (c) unexplained investments (d) export cash subsidy The applicable tax rate of TDS on royalty income is -(a) 5% (b) 10% (c) 15% (d) 20% Which of the following income shall be included under "Income from Other Sources"? (a) Profit from Islami Bank (b) Dividend income against preference shares (c) Interest on fixed deposits (d) Unexplained investments The applicable tax rate of TDS on lottery income is -(b) 10% (c) 15% (d) 20% 7. Income of the spouse or minor child is under which of the following section of the ITA, 2023?
- (a) 43 (b) 30 (c) 28 (d) 31
- 8. Which of the following income sources be included in the income from spouse or minor child?

 (a) Assets gifted to minor child.

 (b) Married daughter's asset
- (c) Spouse's asset who submits separate return
 (d) Minor child's bank account
 Tk. 27,000 received as royalty from Dhaka Bank Limited, will be added in the total income by –
- (a) Tk. 27,000 (b) Tk. 3,000 (c) Tk. 30,000 (d) Tk. 5,000 10. "Income from other sources" is applicable under which of the following section of the ITA, 2023?
 - (a) 17 (b) 19 (c) 66 (d) 67
- TRUE (T) OR FALSE (F) IDENTIFICATION

 1. Dividend income will be included under income from other sources.

 2. Incomes not classifiable in other heads, fall under 'income from other sources'.

 3. TDS on royalty income will be the final payment of tax

 4. 10% tax is deducted from income from Lottery, winning prizes etc.

 5. Clubbing of spouse income is allowed when the spouse doesn't submit tax return.

DISCUSSION QUESTIONS (DQ)

- DQ11.1 What do you mean by the term "Income from Other Sources"?
- DQ11.2 Which incomes are considered under the head "Income from Other Sources"?
- DQ11.3 Explain the exemptions regarding "Income from Other Sources".
- DQ11.4 Explain the provisions regarding chargeability of tax on royalty and dividend income.
- DQ11.5 Explain the provisions of unexplained investment that deemed to be income as per section 67.
- DQ11.6 What are the allowable deductions from "Income from Other Sources"?
- DQ11.7 Write short note on: ☐ Income from Other sources ☐ Clubbing of income ☐ Foreign income ☐ Unexplained investment
- DQ11.8 What is clubbing of income? When do taxable income includes income of other persons?

DQ11.9 'An assessee is taxed on his own income. However, deviating from the general provision, the 'An assessee is taxed on his own mesons of some other persons' – do you agree? Explain assessee may also be assessed for incomes of some other persons' – do you agree? Explain

PROBLEM CASES (PC)

PC11.1: Mr. Zahir has earned the given incomes for the income year. Compute processing the second of Mr. Zahir considering remuneration for exam script evaluation and taxable income of Mr. 22011 and taxable income of Mr. 22011 and taxable income of Mr. 1,000; prize of winning crossword prize Tk. 16,000; sale of forest invigilation Tk. 1,000; prize of winning crossword from the control of the con invigilation 1k. 1,000; page 10 forest timber and honey Tk. 1,000; income from transfer of household furniture Tk. 1,500; timber and honey Tk. 1,500; income from transfer of household furniture Tk. 1,500; income from transfer of ho income from participating in a singing competition Tk. 3,000; remuneration as director Tk. 10,000; gift from father Tk. 5,000 and income from part time job Tk. 9,000. During the year he has purchased jewellery of Tk. 25,000 the source of which has not been explained to the DCT.

PC11.2: Compute taxable income of Mr. Sohel for the income year consideringincome from royalty of a book Tk. 2,000; income received from sublet of premises Tk. 10,000; prize of winning lottery Tk. 1,600; income from vacant land adjacent to his house Tk. 2,000; income from transfer of patent Tk. 2,500; receipt of donation from friend Tk. 4,000; gain from loan amortization Tk. 10,000; income from a newspaper for column writing Tk. 5,000 and income from unused leased land Tk 2 000. During the year he spent Tk. 100,000 on a party in Hotel Sheraton, the source of the expenditure remained unexplained to the DCT. He has also purchased a land of Tk. 500,000 for which the source of the money was unexplained.

PC11.3: Mr. Tauhid has earned incomes for the income year from salary Tk 300,000; prize of lottery Tk. 32,000; interest on fixed deposit Tk. 3,800; interest on postal savings account Tk. 1,600; income from writing book Tk. 8,000; income from examining scripts and invigilation Tk. 4,200; income from word competition Tk. 4.800; and prize of prize bond Tk. 24,000. He also earned income from a private university as a part-time lecturer Tk. 22,000; income from remuneration of director Tk. 14,000; income from transfer of a wooden craft made by him Tk. 15,000; income from a newspaper for column writing Tk. 2,000; income from sale of forest timber Tk. 32,000; income from unused leased land Tk. 17,000; income from transfer of household machineries Tk. 9,000; gain from loan amortization Tk. 11,000; income from Boats and mooring Tk. 10,000; and income from royalty and patent Tk. 26,000. During the year he spent Tk. 1,000,000 to purchase a flat in Mirpur and the source of expenditure remained unexplained to the DCT. Through investigation, the DCT has also identified an FDR of Tk. 300,000 in a local bank which has also not been explained. He has also visited India incurring a total cost of Tk. 100,000 and purchased a Jewellery set of Tk. 50,000 for his wife for which the source of the money was also unexplained.

His other expenditures during the year were: Purchase of dress and cloths Tk. 10,000; Donation to Muktijuddho Jadughar Tk. 30,000; Contribution to a deposit pension Chapter - 11 Income from Other Sources & Additional Heads of Income

scheme Tk. 70,000; Purchase of primary shares of a listed company Tk. 10,000 and Contribution to Government Zakat Fund Tk. 50,000. Compute taxable income and tax liability of Mr. Tauhid for the year.

PC11.4: Determine the income of the spouse or minor child for Mr. X.

- \square Mr. X has purchased shares of Tk. 100,000 of Private Limited Companies in the name of his wife from which his wife has received Tk. 25,000 as dividend
- Mr. X has gifted Prizebond of Tk. 30,000 to his 10 years old son. His son has received Tk. 50,000 as reward from winning the lottery.
- Mr. X has deposited Tk. 60,000 as fixed deposit in the name of his married daughter from which his daughter has received Tk. 6,000 as interest income.
- Mr. X has received Tk. 9,000 as interest from savings account of his minor child $\ \square$ Mr. X has purchased shares of Tk. 100,000 of Public Limited Companies in the name of his wife from which his wife has received Tk. 25,000 as dividend. His wife has deposited this dividend in a fixed deposit account in her own name and received Tk. 1,500 as interest income.
- Mr. X has given his second wife a house to live separately. Income from this house property during the year Tk. 20,000.
- ☐ Mr. X has opened a Savings Scheme of Tk. 200,000 in the name of one of his relatives in order to maintain educational expenses of his son who stays in his relative's house in Khulna. Tk. 1,800 is received as interest from this savings. Mr. X will take back the Savings scheme at the end of the graduation of his son.

ANSWERS

MULTIPLE CHOICE QUESTIONS										TRI	J E/F /	ALSE		
_1	2	3	4	5	6	7	8	9	10	1	2	3	4	5
a	, b	d	. b	d	d	d	d	. с	c	F	T	F	F	T

SELF - REVIEW 11.1

- (a) $(Tk. 10,00,000 \times 10\%) = Tk. 100,000$
- (b) (Tk. $30,00,000 \times 12\%$) = Tk. 360,000

SELF - REVIEW 11.2

There are three additional heads of income as per the IT Return Rules, 2023. They are 'Share of income from firm or AOP', 'Income of the spouse or minor child' and 'foreign income'.

SELF-REVIEW 11.3

Foreign income is taxable for residents and will be included in total income. But for a nonresident foreign income will not be included in total income.

Deduction of Taxes

"Philosophy teaches a man that he can't take it with him; taxes teach him he can't leave it behind either." - Mignon McLaughlin

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

CLO 12.1 understand the concept of TDS and its benefits

CLO 12.2 identify income subject to TDS

CLO 12.3 apply TDS on different sources of income

CLO 12.4 specify the authority responsible to charge TDS

CLO 12.5 explain the consequence of failure to deduct TDS

CLO 12.6 elaborate the TDS collection and deposit process

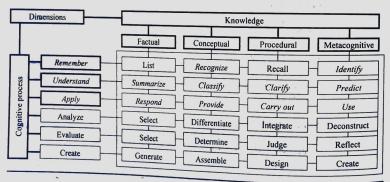
CLO 12.7 recognize the income subject to minimum tax

KEY TERMS

Tax deducted at source. TDS authority, TDS rates. Contractors, C & F agent, Savings instrument, L/C, Certificate of deduction, Minimum tax

Bloom's Taxonomy

This chapter covers (italic) the entire knowledge dimension and the first three levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



Chapter - 12 Deduction of Taxes

INTRODUCTION 12.1

CLO 12.1 In some specific areas, the paying authority is required to deduct tax at source before the income reaches to the hand of assessee. In such a case, the assessee receives after tax income (disposable income) in one sense though it is not the final settlement and the tax deducting or paying authority is working as an agent of the government. Tax deducted at source (TDS) is sometimes termed as "withholding tax" as it remains withholding in the hand of the tax deducting authority until the amount so collected is not deposited to the government exchequer. But it is advance payment of tax from the assessees' point of view who will deduct this amount from his total tax liability at year-end. TDS is advantageous for both the government and the assessee. Sections $86\,$ to 139 of Part VII of the ITA and TDS Rules, 2023 deal with TDS.

ADVANTAGES 12.2

CLO 12.1

To the Government

1.-1

☐ Government can ensure the certainty of its income.

Administrative complexity has been shifted to the tax deducting authority.

☐ Flow of income throughout the year.

To the Assessee

☐ Reduce the burden of paying a huge amount of money as tax at year-end.

 $\hfill \square$ Assessees are not required to save to pay tax. So, the western concept of PAYE (Pay As You Earn) is fully applied here which is thought to be the justification of this TDS. Because, it is the culture of the people of developed countries to spend the total earnings of a week at weekend. So, at the end of the year, they will have nothing left for the government. So, assessees prefer the government to receive taxes before earnings come to their hand.

INCOME SUBJECT TO DEDUCTION AT SOURCE 12.3

CLO ... 12.2

Part 7 of the ITA, 2023 enumerated the provisions regarding the payments/deductions of taxes under following three categories:

Chapter 1 - Deduction of Taxes from Residents [Section 86 - 118]

Chapter 2 - Deduction of Taxes from Non-Residents [Section 119]

Chapter 3 - Deduction of Taxes at Source [Section 120 - 139]

Chapter 4 - General Rules regarding Deduction of Taxes [Section 140 - 151]

Additional corresponding rules have been specified in Tax Deduction at Sources Rules, 2023 [SRO 206-Law/IT-01/2023 later revised by SRO 283-Law/IT-14/2023]

DEDUCTION OF TAXES FROM RESIDENTS

Deduction of Taxes from Salaries (Section 86)

CLO 12:3 12.4

Tax is deducted at source from salaries by the paying authorities (employer) at the time of making payment of salaries at an average of the rates applicable to the

estimated total income of the payee under that head for that assessment year. The average rate in this case will be the expected one, not actual [section 86(1)].

Where any Government official is acting as Drawing and Disbursing Officer (DDO) where any dovernment of the base of the case may be the case m or making of signing a comment or any authority, as the case may be, he shall, at the draw salary from the object of the time of making or signing such bill, deduct tax at a rate representing the average of the rates applicable to the estimated total income of such officials if such annual salary chargeable to tax exceeds the taxable limit for that income year [Section 86(3)]

For the purposes of sub-section (1) and (3), any prior deficit or excess amount can be adjusted at the time of payment [section 86(4)].

Example: Let us assume that the annual taxable salary income (after allowing for all exemptions as available in case of various components of salary income) of Mr. X results take 11,50,000. Total tax liability of Mr. X at regular rate will be:

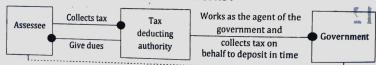
On first	Tk. 350,000	@ 0%	Tk. Ni
On next	100,000	@ 5%	5,000
On next	400,000	@ 10%	40,000
On next	300,000	@ 15%	45,000
Total	11.50.000		90,000

Note: Average rate is 7.83% in case of Mr. X (Tk. 90,000 ÷ Tk. 11,50,000). Average rate can be lower if the employee has any qualifying investment for tax rebate.

EXHIBIT

12.1

How TDS Works?



At the time of submitting return the assessee adjusts the amount of tax paid as advance

Computing TDS

- First for the specific employee or classes of employees, we have to compute the expected annual taxable income under the source "Salaries" assuming that there is no income from other heads.
- Second, we have to apply the regular rates on the taxable income as calculated earlier and compute the
- Third, average rate will be calculated by dividing the gross tax liability with total taxable salary income Tax will be deducted at source from the salary income of the said employee or classes of employees at the calculated average rate at the end of every month when salary becomes due and paid. $\boldsymbol{\cdot}$



Explain in short:

- (a) What is TDS?
- (b) Who will deduct tax from whom?
- (c) Advantages of TDS.

But the paying authorities may deduct no TDS or TDS at a lesser rate in accordance with a certificate, issued by the DCT after being satisfied on payee's application, where the certificate specifies that-

- no TDS will be charged in a case where the tax payable on the total income of the payee has already been deducted or collected from such payee under ITA, 2023 for the rest of the income year.
- ☐ TDS will be charged at a lower rate for the rest of the income year in a case where the payee may, after adjusting the tax already deducted or collected from such payee under ITA, 2023, be liable to pay a lesser sum of tax than the tax chargeable on his total income [section 86(5)].

TDS from Remuneration to MPs [Section 87]

Any person responsible for paying remuneration to a Member of Parliament shall deduct tax, at the time of making such payment, at average rate applicable to the estimated total remuneration of the payee for that income year.

TDS from Payment to Participation Fund, Welfare Fund and Labor Welfare Foundation Fund [Sec 88]

Notwithstanding anything contained in any other law being in force in Bangladesh, any person responsible for making any payment to Participation Fund, Welfare Fund and Sramik Kalyan Foundation Fund under Section 234 of the labor Act, 2006, at the time of such payment or credit, deduct tax @ 10% on whole payment.

TDS from Payment to Contractors, etc. [Section 89 & Rule 3]

According to section 89, where any payment is to be made by a specified person to a resident on account of the followings, the person responsible for making the payment shall, at the time of making such payment or crediting such amount, deduct tax at such rate, not exceeding ten percent (10%) of the base amount, as may be prescribed.

execution of a contract, other than a contract for providing or rendering a service	ice
mentioned in any other section of Part VII;	
montoned in any owner accounts	

supply of goods	5	good	of	ly	supp		
-----------------	---	------	----	----	------	--	--

	manufacture,	process	or	conversion	on
--	--------------	---------	----	------------	----

 printing, packaging or bindi
--

According to Rule 3, following rates are applicable for payment to contractors, etc.:

□ 40% TDS rate for supplying any kinds of tobacco related goods including cigarettes, biri, chewing tobacco, tobacco leaves, gul etc.

	TDS in case of providing service under the agreement for manufacturi	
u	process conversion, civil works, construction, engineering or similar works,	ng,
	process control state of deduction from the following classes of persons shall be:	
	The man of deduction from the forest as	

]	process conversion. The rate of deduction from the following classes of persons shall be:	,	.s. /
•	 am industrial undertaking engaged in the production of MS Billets oil supplied by petroleum oil and lubricant marketing companies oil supplied by dealer or agent (excluding petrol pump station) of oil marketing companies, any amount 	_	0.5%
•	 supply of paddy, rice, wheat, potato, fish, meat, onion, garlic, peas, chickpeas, lentils, ginger, turmeric, dried chillies, pulses, corn, coarse flour, flour, salt, edible oil, sugar, black pepper, cinnamon, cardamom, clove, date, cassia leaf, jute, cotton, and yarn 		1%
	Supply of any kind of fruit	_	2%
•	an industrial undertaking producing iron ore or iron products, ferro alloy products, ceramic goods, and cement, except MS Billets	_	2%
•	supply of oil by oil refinery company, on any amount	_	2%
•	company engaged in gas distribution, any amount	_	2%
•	company engaged in gas transmission, on any amount	_	3%
•	Company, having own Vertical Continuous Vulcanization Line, producing 33 kv to 500 kv Extra High Voltage Power Cable	_	3%
•	supply of books to a person other than Government or any Government attached/sub offices, or any authority, or corporation	_	3%
•	Supply of recycled led	-	3%
	Supply of industrial raw materials to a manufacturer		3%
•	supply of any goods not listed in above classes	i	

Provided that, where any imported goods on which tax has been paid at source under section 120 is supplied, tax at source on the said supply shall be B-A, where- A = the amount of tax paid under section 120, B = the relevant tax amount of this section if no tax were paid under sec 89.

any other cases mentioned in Section 89

5%

Similarly, where any goods on which tax has been paid at source under section 94 is supplied, tax at source on the said supply shall be B-A, where -A= the amount of tax paid under section 94, B= the relevant tax amount of section 89 if no tax were paid under sec 94. Provided that in case of the goods supplied by any distributor or any other person under a contract, the term "B" as mentioned in the above paragraph shall be computed as: B= {the selling price of the company to the distributor or the other person as referred in Section 94} \times 5% \times 10%.

EXHIBIT

12.2

Cases of TDS: Contractor, Supplier, Distributor

Case 1: Suppose, payments are made to a contractor as: 1st installment on July 1, 2023 Tk. 1 lac; 2nd installment on October 1, 2023 Tk. 3 lac; 3nd installment on January 1, 2024 Tk. 4 lac; 4th installment on April 1, 2024 Tk. 10 lac, and 5th installment on July 1, 2025 Tk. 3 lac. Deductions from each installment will be made as:

Installment	Payments	Cumulative Payments	Applicable Rates	Total Deduction	Current Deductions
(1)	(2)	(3)	(4)	(5) = 3 × 4	(6) = For 3rd install. (350,000 - 90,000)
First	10,00,000	10,00,000	3%	30,000	30,000
Second	20,00,000	30,00,000	3%	90.000	60,000
Third	40,00,000	70,00,000	5%	350,000	260,000
Fourth	20,00,000	90,00,000	5%	450,000	100,000
Total deduction for t	the year 2023-24 [90	0,00,000 × 5%]			450,000
Fifth	3,00,000	3,00,000	3%	9,000	9,000

Case 2: Mr. Tareq is a local distributor of ACI Ltd. The sales amount during the period to Mr Tareq from ACI amounted to Tk. 50,00,000. According to Section 94, ACI Ltd. has collected (Tk. $50,00,000 \times 5\% \times 5\%$) = Tk. 12,500 as TDS. However, what amount of TDS (u/s 89) will be collected by XYZ Private Limited from Mr. Tareq

- If Mr. Tareq supplies these entire goods to XYZ Private Limited during the income year 2023-2024
 Of these Th. 50 00 000 goods if Mr. T.
- Of these Tk. 50,00,000 goods, if Mr. Tarea supplies goods of Tk. 30,00,000 to XYZ Private Limited.

Supplied entire goods: [(Tk. 50 lac × 5% × 10%) - (Tk. 50 lac × 5% × 5%)] = Tk. 25,000 - Tk. 12,500 = Tk. 12,500 Supplied goods of 30 lac: [(Tk. 30 lac × 5% × 10%) - (Tk. 30 lac × 5% × 5%)] = Tk. 15,000 - Tk. 7,500 = Tk. 7,500

Deduction from Payment for Certain Services [Section 90 & Rule 4]

Where any payment is to be made by a specified person to a resident on account of a service as mentioned in this section, the person responsible for making the payment shall, at the time of making such payment, deduct tax at such rate, not exceeding twenty percent (20%), as may be prescribed. According to Rule 4, for some specific services tax will be deducted at the following rate:

Advisory or consultancy service	10%
Professional service, technical services fee/assistance fee	10%
Catering service Cleaning service, Collection and recovery service,	
Private security service, Supply of manpower, Creative media service, Public relations service, Event management service, Training,	
teles are organization and management service, Courier service,	
Packing and shifting service, any other service of similar nature-	100/
[] On commission	10%
On gross bill amount	2%

ngladesh II	scome Tax - Theory and Practice	10%
55	Media Buying agency service On commission	8%
	On gross bill amount	10%
	mission	12%
	Indenting commission Meeting fees, training fees or honorarium Mobile network operator, technical support service provider Mobile network operator, technical support service	10%
	- Cradit Paring Sci 1101	8%
	Motor garage or workshop Private container port or dockyard service Private container port or dockyard service	8%
	- Chinning agency Commission	
	Stevedoring / berth operation	10%
	On commission or fee On gross bill amount (i) Transport service, carrying service, vehicle	5%
	(i) Transport service, can maintenance service rental service, repair and maintenance service (ii) Any other service under any sharing economy platform including ride sharing service, coworking space/accommodation providing service ride sharing service, coworking space/accommodation providing service ride sharing service, coworking space/accommodation providing service.	5%
	Wheeling charge for electricity transmission	3% 10%
	Internet service Internet service engaged in mobile financial	10%
	services or channel partners of moore management	10%
	Freight Forward Agency Commission Gross bill including or excluding Freight Forward Agency Commission Any other service which is not mentioned above	2.5%

Provided that if any bank, insurance, financial institution or mobile financial service providor provide any service other than mentioned in above table, TDS will not be applied under this section, in such cases.

The amount for services mentioned in Row 3, 4 and 12 of the Table shows both commission or fee and gross bill, tax shall be the higher of the following two amounts A and B, when A = tax calculated on commission or fee applying the relevant rate in the table; and B = E x F x G, where, E = Gross bill amount, F = 10% of Sl. 3, 2.5% for Sl. 4, and 5% for Sl. 12; and G = rate of tax applicable on commission or fee.

Where the Board, on an application made in this behalf, gives a certificate in writing that the person rendering such service is otherwise exempted from tax under any provision of this Act, the payment referred to in this section shall be made without any deduction or with deduction at a lesser rate, as the case may be, for that income year."

Example: X Company has signed an agreement which cleaning services. The company has submitted the for cleaning service expense	ith Square Hospital Ltd. to provide them he following bill for the cleaning service: Tk. 80,000 Tk. 880,000
Total Bill The amount of applicable TDS and amount paid to X	(Company is as follows: = Tk. 800,000 @ 2% = Tk. 8,000 = Tk. 80,000 @ 10% = Tk. 24,000 = Tk. 16,000 + Tk. 8,000 - Tk. 24,000 = Tk. 856,000 [Tk. 880,000 - Tk. 24,000]

nt t

1501 sell be

for

Deduction from Payment of Royalties etc. [Section 91] Where any payment is to be made by a specified person to a resident on account of royalties, franchise, or the fee for using license, trade mark, patent, copyright, pattern, plant varieties, global positioning product, or any other intellectual property right or intangibles, the person responsible for making the payment shall, at the time of making payment, deduct income tax at the rate specified below -

making payment, deduct income tax at the	Deduction Rate
	10%
■ Where base amount does not exceed Tk. 25 lakh	12%
■ Where base amount exceeds Tk. 25 lakh	ated by him

Example: X Company has signed an agreement with Mr. Kabir to use a design invented by him at an agreed value of Tk. 30 lakh and decided to pay him Tk. 10 lakh instantly as first installment. The amount of applicable TDS and amount paid to Mr. Kabir follows:

installment. The amount of applicable	= Tk. 3	0,00,000
Castingtallment: Base amount	- Tk	0,00,000 120,000 880,000
Applicable TDS as per use another Applicable TDS (Tk. 10,00,000 @ 12%) Applicable TDS (Tk. 10,00,000 @ 12%) Amount paid after deduction of TDS [Tk. 10,00,000 – Tk. 120,000]	= Tk.	880,000
A mount bald are:		

Advertising Bill of Newspaper or Magazine or Private Television Channel or Private Radio Station etc. [Section 92]

According to section 92, tax shall be deducted at the rate of 5% for making any payment to newspaper or magazine or private television channel or private radio station or any person (except media buying agent) on account of advertisement or purchasing airtime or any other purposes by the paying authority [(specific person u/s 140(3)).

Actors or Actresses or Producers [Section 93] A person responsible for making any part or full payment for purchasing a film, drama or television or radio programme or for making any part or full payment to

another person for performing in those areas shall deduct tax @10% of the amount paid or payable at the time of making payment or credit of such payment to the account of the pavee.

Commission, Discount or Fees [Section 94]

- ☐ Any company making a payment or allowing an amount to a distributor, called by whatever name, or to any other person by way of commission, discount, fees incentive or performance bonus or any other performance related incentive or any other payment or benefit of the similar nature for distribution or marketing of goods, shall deduct or collect tax at the time of payment or allowing the amount at the rate of ten percent (10%) of the amount of payment or the amount allowed or the value of benefits allowed, as the case may be.
- Any company making a payment for promotion of the company or its goods to any person engaged in the distribution or marketing of the goods of the company shall, at the time of payment, deduct tax at the rate of one point five percent (1.5%) of the payment.
- Any company, other than an oil marketing company, which sells goods to-
 - · Any distributor, or
 - Any other person under a contract at a price lower than the retail price fixed by such company, shall collect tax from such distributor or such any other person at the rate of 5% on the amount equal to $B \times C$, where B = the selling price of the company to the distributor or the other person; C = 5%.

Provided that a cigarette manufacturer company shall collect tax at the time of sale of its goods to such distributor or to such other person at the rate of three percent (3%) of the difference between the sale price to the distributor or the other person and the retail price fixed by such company.

Collection of Tax from Travel Agent [Section 95]

Notwithstanding anything contained in any other provisions of this Act, any person responsible for making any payment to a resident any sum by way of commission or discount or any other benefits, called by whatever name, convertible into money for selling passenger tickets or air cargo carriage shall deduct or collect advance tax at the rate of zero point three zero percent (0.30%) of the total value of the tickets or any charge for carrying cargo by air at the time of payment to such resident [section

Where any incentive bonus, performance bonus or any other benefits, called by whatever name, is to be paid in relation to such sale of tickets or bill for carrying cargo by air in addition to the amount mentioned in sub-section (1), person responsible for making such payment shall deduct an amount equal to (A \div B) \times C,

"A" is the amount of incentive bonus, performance bonus or any other benefits as

- "B" is the amount of commission or discount or any other benefits as mentioned
- "C" is the amount of source tax on commission or discount or any other benefits as mentioned in subsection (1) [section 95(2)].

For the purpose of computation of value of tickets or charge, any payment made in respect of any embarkation fees, travel tax, flight safety insurance, security tax and airport tax shall not be included in such value or charge. [section 95(3)].

Explanation: Here, "payment" includes a transfer, a credit or an adjustment of payment.

Example: A Travel Agent has sold tickets of Tk. 80.00.000 and received 5% commission and 2% incentive bonus. TDS applicable on such amount is -

TDS on commission (Tk. 80,00,000 @ 0.3%) = Tk. 24,000

 $\frac{80,00,000 \times 2\%}{80,00,000 \times 5\%}$ × Tk. 24,000 TDS on incentive bonus = Tk. 9,600

Commission on Letter of Credit [Section 96]

10

do "

25"

nis.

2501 5

9/1.

The

R)! 31'

112 11

Hert-

Rhon

DIE.

line

Z8- 5

SPE

184 ...

Any person (basically bank) responsible for opening letter of credit for the purpose of import of goods for himself or for any other person shall, at the time of collecting commission with respect to letter of credit, deduct income tax at the rate of 5% on the amount of such commission.

Deduction from Payment made against Local Letter of Credit [Section 97]

The bank or any other finance company extending any credit facility under a local letter of credit or any other financing agreement, not being a financing arrangement under sub-section (2), for purchasing any goods in Bangladesh by a person (hereinafter referred to as "Person A") from any person (hereinafter referred to as "Person B") for the purpose of trading, or of reselling after process or conversion shall deduct, at the time of paying or crediting to Person B, tax at the rate of 3% of the amount so paid or credited in relation to the purchase by Person A. [U/s 97(1)]

The bank or any other finance company extending any credit facility to a distributor under a financing arrangement in which a person (hereinafter referred to as "Person C") receives payments from such bank or the finance company against the invoice or sale of goods to its distributor (hereinafter referred to as "Person D") shall deduct, at the time of paying or crediting payment to Person C, tax at the rate of 1% of the amount so paid or credited in relation to the goods invoiced to Person D [U/s 97(2)].

The bank or finance company engaged in opening or making local letter of credit or any other financing agreement or any other financing agreement for the purchase of all kinds of fruits and computers or computer spare parts, shall deduct tax @ 2% on the amount paid or loaned by the bank or finance company $\{U/s - 97(3)\}$

Bangladesh Income Tux - Theory and Practice

The bank or finance company engaged in opening or making local letter of credit Or any other financing agreement or any other financing agreement for the purchase of rios, wheat, potato, onson, garlic, peas, chickpeas, lentils, ginger, turmeric, dried chellers, pulses, maize, coarse flour, flour, salt, edible oil, sugar, black pepper, commemon, nuts, clove, bay leaves, jute, cotton, and yarn, shall deduct tax @ 1% on the amount paid or loaned by the bank or finance company $\,\left[\,U/s\,-\,97(4)\,\right]\,$

EXBIBIT

12.3

Illustrating TDS for Letter of Credit

Explanation: For the purpose of this section, "distributor" means a person who performs the function of supply of families goods produced by another person to the end customer directly or through any other intermediany.

Com 1 A Ltd has issued a local L/C of Tk 2 crore in favor of X Ltd for supplying machineries. The machineries one to be used by A Ltd. in its factory. Under such circumstances Section 97 will not be applicable as the makes are not purchased for resale even though it has been purchased through local L/C. In this case Section #9 and Rule 3 will be applicable

Came 2 A Ltd has issued a 90 days local L/C of Tk. 1 crore in favor of X Ltd (issued by Sonali Bank) for supplying electronic goods as per contract. The electronic goods are to be sold by A Ltd. through its different showrooms linder such circumstances the L/C issuing bank i.e. Sonali Bank will deduct 3% TDS under sec 97 at the time of paying or crediting the proceeds to X Ltd. The L/C negotiating Bank will not deduct any other TDS.

Case 3: A Ltd has issued a 120 days local L/C of Tk. 10 crore in favor of X Ltd (issued by Prime Bank) on July 25 2024 for supplying electronic goods as per contract. The electronic goods are to be sold by A Ltd. through its After the showrooms. X Ltd. has sold the L/C to his bank Jamuna Bank Limited on August 01, 2024 under Inland Becomentary Bill Purchase (IDBP) / Local Documentary Bill Purchase (LDBP) term. Under such circumstances the L/C negotiating bank i.e. Jamuna Bank will set the bill purchase price considering 3% TDS. At the end of the moturity the L/C issuing bank i.e. Sonali Bank will deduct 3% TDS (u/s 97) at the time of paying or crediting the proceeds to Jamuna Bank and will issue a Tax Deduction at Source Certificate to A Ltd.

Cellular Mobile Phone Operator [Section 98]

The Principal Officer of a cellular mobile phone operator company responsible for making any payment, on account of any revenue sharing or any license fees or any other fees or charges, called by whatever name, to the regulatory authority, shall deduct tax at the rate of twenty percent (20%) of such payment at the time of credit to the payee or at the time of payment thereof, whichever is earlier.

Payment in Excess of Premium Paid on Life Insurance Policy [Section 99]

Any person responsible for paying to a resident, any sum in excess of premium paid for any life insurance policy maintained with any life insurance company, shall deduct, at the time of payment of such excess amount to the policy holder, income tax at the rate of 5% on such sum: Provided that no deduction of tax shall be made in case of death of such policy holder.

EXHIBIT

12.4

Illustrating TDS for Life Insurance Policy

Case 1: Mr. Nikhil has taken an 18-year 3PP Life Insurance Policy from Metlife on 15.09.2006. The policy value Case 1: Manual premium is Tk. 100,000 and Tk. 7,500 respectively. Mr. Nikhil has received 25% of policy value Tk. and annual and annual and annual and annual and annual ann 25,000 after 18 years. The TDS will be calculated as:

profit from insurance policy = Total receipt against policy - Total premium paid = (25,000+25,000+125,000) - (7,500 × 18) = 175,000 - 135,000 = Tk. 40,000 so, the TDS will be 5% on Tk. 40,000 i.e., Tk. 2,000.

Case 2: Mr. Zakaria has taken a 16-year Education Insurance Policy for his son from Metlife on 15.09.2009. The policy value is Tk. 100,000 & annual premium is Tk. 7,600. He has received total Tk. 230,000 after 16 years at maturity on September 2024. The TDS will be calculated as:

Profit from insurance policy = Total receipt against policy - Total premium paid $= Tk. 230,000 - (7.600 \times 16) = 230,000 - 121,600 = Tk. 108,400$ So, the TDS will be 5% on Tk. 108,400 i.e., Tk. 5,420.

Case 3: Mr. Farid has taken an 18-year 3PP Life Insurance Policy from Metlife on July 15, 2018. The policy value and annual premium is Tk. 100,000 and Tk. 9,000 respectively. Mr. Farid has received 25% of policy value Tk. 25,000 after 6 years on July 2024. No TDS will be applicable on this amount as it is not profit rather a refund of a part of the policy value.

Case 4: On 01.08.2024, Mrs. X, has received Tk. 15 lac from Methife against the life insurance policy of her husband, who died in an accident. The policy was taken on 01.01.2014 and the annual premium was Tk. 50,000. No TDS will be applicable on this compensation amount as it is the claim against the death of the policy holder.

Insurance Commission [Section 100]

Any person responsible for paying to a resident any sum by way of commission or otherwise, for soliciting or procuring insurance business including business relating to the continuance, renewal or revival of policies of insurance, shall, at the time of credit of such sum to the account of the payee or at the time of payment thereof in cash or by issue of a check/draft or any other mode, whichever is earlier, deduct income tax on such sum @ 5%.

Example: If the payment amounts to, say, taka 60,000 then the amount of TDS will be taka 3,000 (5% of taka 60,000).

Fees, etc. of Surveyors of General Insurance Company [Section 101]

A person (generally insurance companies) responsible for paying to a resident any sum as remuneration or fees for conducting any survey regarding settlement of claim of insurance shall, at the time of payment, deduct income-tax on such sum @ 15%.

TDS from interest on saving deposits and fixed deposits, etc. [Section 102] TDS from interest on saving aeposite and the ITA, 2023 or any other law for the time. Notwithstanding anything contained in the being in force, any person responsible for paying to a resident any sum by way of being in force, any person responsive to the fixed deposits or any term deposit interest or share of profit on any saving deposits or fixed deposits or any term deposit interest or share of profit on any same in banking, insurance, leasing, financing, post maintained with any person engaged in banking, insurance, leasing, financing, post office banking, co-operative or mobile financial services, shall deduct, at the time of office banking, co-operative of the first to the account of the payee or at the time of credit of such interest or share of profit to the account of the payee or at the time of payment thereof, whichever is earlier, income tax on such sum at the following rate-

		Rate
	Where the payee is a Trust, AOP, and company	20%*
•	Where the payee is a Primary Educational Institution, professional institutes of CA, CMA or Chartered Secretaries	10%**
	Any other payee, other than mentioned in above two categories]	10%**

^{*}The rate of TDS will be 50% higher i.e. 30% if the payee fails to provide the PSR (Proof of the Submission of the Return).

Nothing contained in this section shall apply-

- ☐ to interest or share of profit arising out of any deposit pension scheme sponsored by the Government or by a Bank with prior approval of the Government; or
- ☐ to such payee or class of payees as the Board may, by a general or special order, specify that income of such payee/class of payee is otherwise exempted from tax,

For the purpose of this section, the proof of submission of return of legal guardian shall be considered as the proof of submission of return of a minor. TDS on interest income on savings deposits/fixed deposits etc. earned by taxpayers on whom return submission is not mandatory [(ws 166(2)] will be considered as final payment of tax [SRO 253-Law/IT-09/2023 dated August 23, 2023].

Deduction at source from interest income of Residents [Section 104]

Any person responsible (except bank or financial institution) for paying any amount on account of interest of loan shall deduct, at the time of paying such amount at the rate of 10% (ten percent). Provided that the Board, in response to appropriate investigation of application, may provide with certificate if no TDS or lesser rate will

Deduction at source from interest on saving instruments [Section 105]

Notwithstanding anything contained in any other provision of this Act or any other law being in force in respect of exemption from tax on interest of savings instrument purchased by an approved superannuation fund or pension fund or gratuity fund or a recognized provident fund or a workers' profit participation fund, any person responsible for making any payment by way of interest on any savings instruments shall, at the time of such payment, deduct income tax at the rate of [ten per cent

Provided that no tax shall be deducted under this section where the cumulative investment at the end of the income year in the pensioners' savings certificate does not exceed five lakh taka; Provided further that no tax shall be deducted from interest or profit arising from Wage earners development bond, US dollar premium bond, US dollar investment bond, Euro premium bond, Euro investment bond, Pound sterling investment bond or Pound sterling premium bond. TDS deducted on this interest income of savings certificates owned by any individual taxpayer will be considered as final payment of tax [SRO 253-Law/IT-09/2023 dated August 23, 2023].

EXHIBIT

12.5

Illustrating TDS for Savings Instruments

Case 1: Mr. Jalil is a Non-Resident Bangladeshi (NRB) living in Canada. He has purchased Wage Earners Development Bond (WEDB) of Tk. 50 lac on July 01, 2023. He earned interest of Tk. 6 lac from the said WEDB during the income year 2023-24. Moreover, he has also earned net Tk. 4 lac from employment. Under such circumstances, no TDS will be applicable on interest income from WEDB in the assessment year 2024-25. In the assessment year 2024-25, Mr. Jalil will pay tax on only employment income Tk. 4 lac @ regular rate.

Case 2: Mr. Khalil is a retired government officer. He has retired on April 2023 and purchased Pensioner Savings Certificate of Tk. 30 lac on July 01, 2023. He earned interest of Tk. 3,95,700 from the said Savings Certificate during the income year 2023-24. Moreover, he has also earned Tk. 12 lac from consultancy. Under such circumstances, 10% TDS i.e., Tk. 39,570 will be applicable on interest income from Savings Certificate in the assessment year 2024-25. It will also be considered as final payment of tax.

Case 3: Mr. Sumon is a Non-Resident Bangladeshi (NRB) living in Canada. He has purchased 5-year Wage Earners Development Bond (WEDB) of Tk. 3 lac on July 01, 2021 and again purchased 5-year Wage Earners Development Bond (WEDB) of Tk. 10 lac on July 01, 2023. Under such cases, no TDS will be applicable on interest from the WEDB during the income year 2023-24.

Case 4: Mr. Babu is a government officer. He has retired on April 2022 and purchased 5-year Pensioner Savings Certificate of Tk. 4 lac on July 01, 2022 and again purchased 5-year Pensioner Savings Certificate of Tk. 15 lac on July 01, 2023. Under such cases, during the income year 2023-24, since the accumulated investment in Pensioner Savings Certificate has reached to Tk. 19 lac (i.e., exceeds Tk. 5 lac limit), 10% TDS will be applicable on whole interest income from the Pensioner Savings Certificate of Tk. 19 lac in the assessment year 2024-25.

Discount of the Real Value of Bangladesh Bank bill (Section 107)

Any person responsible for paying any amount on account of discount on the real value of Bangladesh Bank bills shall, at the time of making such payment, deduct tax at the maximum rate on the amount so payable or the rate applicable to such amount. whichever is greater. If no such applicable rate is available, then the rate will be:

^{**} The rate of TDS will be 50% higher i.e. 15% if the payee fails to provide the PSR (Proof of the Submission of the Return).

	Maximum Rate
	25%
• Individual	22.5%
Companies: D Publicly Traded – others	32.5%
Companies not publicly traded Companies not publicly traded	37.5% or 40%
Bank, Insulairee, Think	37.50%
Merchant Banks Mobile phone companies (if publicly traded 40%)	45%
Mobile phone companies (17 person)	45%
Cigarette mfg. companies	.370

Note: No tax shall be deducted under this section where the said bill is purchased by an Note: No tax shall be deducted undo or gratuity fund or a recognized provident fund approved superannuation fund or pension fund or gratuity fund or a recognized provident fund. or a workers' profit participation fund.

Interest on Securities [Section 106]

Any person responsible for issuing a security of the Government, or security approved by the Government or Bangladesh Securities and Exchange Commission. shall collect income-tax at the rate of five percent (5%) on discount, interest, or profit on securities at the time of making payment or credit, whichever is earlier

TDS from Receipts in Respect of International Phone Call [Section 1081

The bank, through which any sum on account of International Gateway (IGW) Services in respect of international phone call is received, shall deduct tax @ 1.5% of the total amount representing the said receipt at the time of crediting it to the account of the International Gateway (IGW) Services operator.

The International Gateway (IGW) Services operator, by which any sum related to international phone call is paid or credited to the account of Interconnection Exchange (ICX), Access Network Services (ANS), Bangladesh Telecommunication Regulatory Commission (BTRC) or any other person under an agreement with the Bangladesh Telecommunication Regulatory Commission (BTRC), shall deduct tax @ 7.5% on the whole amount so paid or credited at the time of such payment or credit under the said agreement.

Where any amount is paid or credited in respect of outgoing international calls, the provider of Interconnection Exchange (ICX) services or Access Network Services (ANS) shall deduct tax at the rate of 7.5% on the whole amount so paid or credited at the time of such payment or credit. Notwithstanding anything contained above [in sub-section (1), (2), or (3)] where the Board gives a certificate in writing on an application made by a person that income of the person is exempted from tax or will be liable to tax at a rate of tax less than the rate specified in this section, the person responsible for giving any payment shall, make the payment-□ without deduction of tax; or

П	after deducting tax at a rate specified in the certificate
---	--

Income from Rent (Section 109)

According to section 109 of the ITA, 2023 -

- $\ \square$ where, any specified person [as listed in Section 140(3)] is a tenant in respect of a house property; hotel or guest house; vacant land or plant or machinery; or any water reservoir except government water reservoir, the tenant shall deduct tax from the rent of such property @ 5% at the time of payment of such rent.
- \square where, after the assessment made for the relevant year, it is found that no tax was payable by the owner of the house property or the amount of tax deducted is in excess of the amount payable, the amount deducted shall be refunded,
 - if no tax was payable, in full, or
 - if the amount deducted is in excess of the amount payable, to the extent of the excess deduction to the owner of the house property.
- ☐ Where the DCT, on an application made in this behalf, gives a certificate in the prescribed form to an owner of house property that, to the best of his belief, the owner is not likely to have any assessable income during the year or the income is otherwise exempted from payment of income tax under any provision of this Act, payment referred to in sub-section I shall be made without any deduction until the certificate is cancelled.
- ☐ For this section "rent" means any payment, paid in whatsoever name, made to use any building including its furniture, fixtures and lands appurtenant thereto, through lease, tenancy, contract or agreement to use such property.

Services from Convention Hall, Conference Centre, etc. [Section 110]

Where any payment is to be made by a specified person (as specified in section 140(3) to any other person on account of renting or using space of convention hall, conference centre, room or, as the case may be, hall, hotel, community centre or any restaurant, shall deduct tax at the rate of five percent (5%) from the whole amount of the payment for the services thereof at the time of making such payment to the payee.

Compensation Against Acquisition of Property [Section 111]

Any person, responsible for paying any amount of compensation against acquisition by the Government of any immovable property shall, at the time of paying such compensation deduct advance tax at the rate of 6% of the amount of such compensation where the immovable property is situated in any city corporation, paurasava or cantonment board. The rate will be 3% of the amount of such compensation where the immovable property is situated outside any city corporation, paurasava or cantonment board.

Export Cash Subsidy [Section 112]

Any person responsible for paying any amount on account of export cash subsidy to an exporter for promotion of export shall, at the time of payment or credit of such amount, deduct/collect tax in advance at the rate of ten percent (10%) on the amount so payable. TDS deducted on the this export cash subsidy will be considered as final payment of tax [SRO 253-Law/IT-09/2023 dated August 23, 2023].

Bangladesh Income Tax - Theory and Practice

Collection of Tax on Account of Purchase of Power [Section 114] Norwithstanding anything contained in 11 A, 2023, Bangladesh Power Development Board or any other person engaged in power distribution or any such specified person who purchases electricity from a captive power producer, at the time of payment to any person on account of purchase of power, shall collect, deduct or pay tax at the may person on account or partenance of the same of 6% on the said payment. Where a person is exempted from tax or is subject to a reduced tax rate, the Board may, on an application made in this behalf, give a certificate in writing that the payment for that income year shall be made without any deduction or with deduction at a proportionately reduced rate, as the case may be.

Payment by Real Estate Developer to Landowner [Section 115]

Where any person engaged in real estate or land development business pays any sum to the land owner as signing money, subsistence money, house rent or in any other form called by whatever name for development of the land of such owner in accordance with any power of attorney or any agreement or any written contract, such person shall deduct tax @ 15% on the sum so paid at the time of such payment.

Commission Remuneration Paid to Agent of Foreign Buyer [Section 1161

Where as per the terms of the L/C or under any other instruction, a bank, through which an exporter receives payment for export of goods, pays any amount out of the export proceeds to the credit of any person being an agent or a representative of the foreness buyer, as commission, charges or remuneration, the bank shall deduct/collect tax in advance @ 10% on such payment at the time of payment.

Deduction of tax from dividends [Section 117]

The principal officer of a company registered in Bangladesh, or of any other company, shall, at the time of paying any dividend to a shareholder, deduct tax on the amount of such dividend, in the case of a resident or a non-resident Bangladeshi-

- of the shareholder is a company, at the rate applicable to a company;
- \square if the shareholder is a person other than a company, @ 10% where the person receiving such dividend furnishes his Taxpayer's Identification Number (TIN) to the payer or 15% where the person receiving such dividend fails to furnish his Taxpayer's Identification Number (TIN) to the payer:

Provided that the provision of this section shall not be applicable to any distribution of taxed dividend to a company if such taxed dividend enjoys tax exemption under the provisions of the paragraph 32 of Part 1 of the Sixth Schedule.

TDS on Lottery, etc. [Section 118]

The person responsible for paying any amount on account of winnings in lottery, crossword puzzle, card game, online game or any other similar nature of game shall, at the time of making such payment, deduct tax at the rate of 20%. Here, "any amount" means the value of any goods/assets where the payment on account of such winnings is made not in the form of cash but in the form of goods or other assets.

CLO

12.3

12.4

DEDUCTION OF TAXES FROM NON-RESIDENTS

TDS on Income of a Non - Resident (Section 119 & Rule 5)

Subject to the provisions of section 119(2), the specified person or any person responsible for making payment to a non-resident of any amount which constitutes the income of such non-resident chargeable to tax under this Act shall, unless such person is himself liable to pay tax thereon as agent, at the time of making such payment, deduct tax on the amount so payable at the rate, specified below:

5.25%	Exploration or drilling in petroleum operations; Fees, etc. of surveyors of general insurance company; Any service for connectivity between oil or gas field and its export point
7.50%	Air or water transport; Contractor or sub-contractor; Supplier;
10.00%	Insurance premium; Bandwidth payments
15.00%	Advertisement making or Digital marketing; Capital gain; Rental of machinery, equipment etc.; Courier Service
20.00%	Advisory or consultancy service; Pre-shipment inspection service; Professional/technical services, technical know-how/technical assistance; Architecture, interior/landscape design, fashion design or process design; Certification, rating etc.; Charge/rent for satellite, airtime or frequency, rent for channel broadcast; Legal service; Management service including event management; Commission; Royalty, license fee or payments related to intangibles; Interest; Advertisement broadcasting; Dividend – company, fund, and trust; Survey for coal, oil or gas exploration; Any other payments
30.00%	Dividend - any other person, not being a company, fund, and trust; Artist, singer or player; Salary or remuneration

Note:

- · Provided that when any capital gain arises from the transfer of any share of a company, the person or the authority, as the case may be, responsible for effecting the transfer of shares shall not give any effect of such transfer if tax on such capital gain has not been paid.
- Where, in respect of any payment under this section, the Board, on an application made in this behalf, is satisfied that due to tax treaty or any other reason the non-resident is not be liable to pay any tax in Bangladesh, or is liable to pay tax at a reduced rate in Bangladesh. the Board may issue a certificate within thirty days from the date of receipt of such application accompanied by all the documents as required by the Board to the effect that the payment referred to in sub-section (1) shall be made without any deduction or, in applicable cases, with a deduction at the reduced rate as mentioned in the certificate.

EXHIBIT

12.6

Illustrating TDS from Non-Residents

Case 1: Shubman Gill, an Indian cricketer, came to Bangladesh for 1 month in the month August 2023 for playing in BPL. His remuneration as per contract was Tk. 1 crore. In this case, since he is a non-resident foreigner, the concerned club will deduct 30% TDS i.e. Tk 30 lac from this amount and will pay after tax amount of Tk. 70 lac to him.

Case 2: David Young, an English Consultant. came to Bangladesh for 1 month in the month August 2023 for a consultancy work against Tk. 50 lac fee. In this case, since he is a non-resident foreigner, the concerned payer will deduct 20% TDS i.e. Tk 10 lac from this amount and will pay after tax amount of Tk. 40 lac to him.

Case 3: Dhaka Bridge Authority has rented one high-capacity Crane from an Indian Construction Company for 3 months period starting September 01, 2023. The rental amount was set at Tk. 1 crore. In this case, since the Indian company is a non-resident, Dhaka Bridge Authority will deduct 15% TDS i.e. Tk 15 lac from this amount and will pay after tax amount of Tk. 85 lac to the Indian Company.

12.6

CLO

12.3

12.4

DEDUCTION OF TAXES AT SOURCE

Importers [Section 120 & Rule 8]

The Commissioner of Customs or any appropriate officer shall collect advance income tax at such rate, not exceeding 20% on the value of the imported goods in accordance with the list of goods specified in Rule 8. According to rule 8, the Commissioner of Customs or any appropriate officer shall collect tax in the case of any import of goods at the following rate on the value of imported goods:

Items in No.		Rate		Table Ref. (Rule 7)		Import from
In general	}	5%	7			
2	\vdash	1%	Н	1	1	
43	\vdash	2%	Н	2	1	
5	H	Tk. 500 per ton	Н	3	1	
192	H	0%	H	4		
33	H	0%	H	5	L	Bhutan
9	-	3%	Н	6	_	Dilutali
10	\dashv	20%	H	7		

Subject to application to the Board explaining that he is not likely to have any taxable income during the period, the Board may exempt the importer of paying any taxes.

Income Derived from Export of Manpower [Section 121]
The Director General, Bureau of Manpower, Employment and Training shall not-

П	grant -1-
ш	grant clearance for export of
	grant clearance for export of manpower by recruiting agencies unless challan of advance tax for Taka amounting to 10% of service charge or fees received by
	recruiting agents on amounting to 10% of service charge or fees received by
	agents on account of export of manners at the state of the same lieution
	recruiting agents on account of export of manpower attached with the application made in this behalf; and
	issue or renew license under section 9 of the Act No. 48, 2013 unless a challan of advance tax for Taka 50 000 is a section 9 of the Act No. 48, 2013 unless a challan of
	the first under section 9 of the Act No. 48, 2013 unless a challan of
	advance tax for $Taka \ 50,000$ is submitted along with the application made for license or renew of license.
	license or renew of license
	reclise of fellew of license

Commission of Clearing & Forwarding (C&F) Agents [Section 122]

The Commissioner of Customs shall make collection on account of commission receivable by clearing and forwarding agents at the rate of 10% on such commission at the time of clearance of goods imported or exported.

Export Proceeds of Goods [Section 123]

Tax is deducted @ 1% on the total export proceeds by the concerned bank at the time of crediting the proceeds to the account of the exporter. NBR may give a certificate based on the assessee's application not to deduct tax or to deduct tax at a lesser rate if the income of the assessee is partly or fully exempted from tax or is not liable to tax.

Example: Mr. X exported knitwear and woven garments amounting to taka 1,000,000. Here TDS will be taka 10,000 (1% of taka 1,000,000).

Deduction of Tax from Any Income Remitted from Abroad in Connection with Any Service, Revenue Sharing, etc. [Section 124]

Any person, responsible for paying or crediting to the account of a person any sum remitted from abroad by way of a fee, service charges, commission or remuneration, called by whatever name, or by way of revenue sharing of any name and nature, for-

- providing any service rendered in Bangladesh; or
 rendering any service or performing any task by a resident person in favor of a foreign person; or
- allowing the use of any online platform for advertisement or any other purposes

shall deduct tax at the rate of 7.5% at the time of making payment of the sum or crediting the sum to the account of the payee. Provided, however, that-

- money received by freight forward agent-
 - If it is commission only, tax shall be collected on said commission @ 10%;
 - If it is a gross bill or a gross bill including commission, tax shall be collected on the said bill at the rate of 2.5%.
- no deduction under this section shall be made against the remittance from abroad which is -
 - excluded from total income by para 12, 17, 21 and 33 of Part 1 of the Sixth Schedule.
 - Any donation or grant received by any educational or research institution.

Transfer of Property [Section 125 and Rule 6]

Any registering officer responsible for registering any document of a person under the provisions of clause (b), (c) or (e) of sub-section (1) of section 17 of the Registration Act, 1908 (XVI of 1908) shall not register any document unless tax is paid through 'A Challan' at such rate as may be prescribed in relation to the property by the transferor of the property. Provided that the rate of tax shall not exceed Tk. 20 lac per katha (1.65 decimal) for land, Tk. 1,000 per square meter for any structure, building, flat apartment floor space on the land, if any, or 10% of deed value, whichever is higher

Nothing in this section shall apply to a document relating to: ☐ sale by a bank or any finance company as a mortgagee empowered to sell:

- mortgage of any property to any bank or finance company against any loan:
- ☐ transfer of property to a trust or special purpose vehicle established only for the
- purpose of issuing sukuk approved by government or Securities Exchange Commission and vice versa.

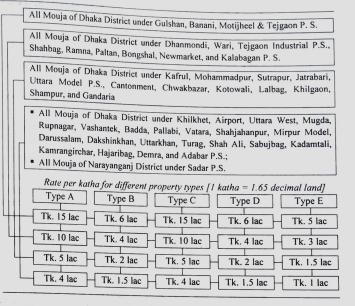
TDS deducted on the above-mentioned Transfer of Property will be considered as final payment of tax [SRO 286-Law/IT-16/2023 dated October 11, 2023].

Rate of Tax | Rule 6, TDS Rules 2024 SRO 161-Law/IT-36/2024 dated May 29, 2024| For this Rule, properties of the areas are categorized as follow in imposing tax.

Nature Type Rajdhani Unnayan Kartripakya (RAJUK). Chittagong Development Authority (CDA), Commercial Gazipur Development Authority (GDA), National Housing Authority, Public Works Department (PWD), and Cantonment Board. Residential В Not within the jurisdiction of Rajdhani Unnayan Kartripakya (RAJUK). Chittagong Development Commercial С Authority (CDA), Gazipur Development Authority (GDA), National Housing Authority, Public Works Department (PWD), and Cantonment Board but established by Developer or Real Estate Developer Residential D Areas not under Types A, B, C or D E

For transferring land, land & building under these types (A, B, C, D, & E), located in the given commercial areas, three cases of applicable tax are stated below:

Case 1: For the following areas, tax shall be higher of 8% of the deed value (For Case E 6%) and the rate per katha as given below.



Case 2: For the following areas, tax shall be higher of 6% of the deed value and the rate per katha as given below.

All Mouja of Chattogram District under Khulshi, Panchlaish, Pahartali, Halisahar, and Kotowali P.S.; All Mouja of Narayanganj District under Sonargaon, Fatullah, Siddirganj, Bandar P.S.; All Mouja of Gajipur District under Sadar, Bashan, Konabari, Gacha, Tongi East and Tongi West P.S.

All Mouja of Dhaka District under Dohar, Nababganj, Keraniganj, Savar, and Dhamrai P.S.; All Mouja of Chattogram District under Akbar Shah, EPZ, Karnaphuli, Chwakbazar, Chandgaon, Doublemooring, Potenga, Panchlaish, Bandar, Baklia, Bayejid Bostami, and Sadarghat P.S.; All Mouja of Gajipur District under Joydevpur and Kaliganj P.S.; All Mouja of Narayanganj District under Rupgani and Araihazar P.S.

Rate per katha for different property types [1 katha = 1.65 decimal land]

Type A	Type B	Type C	Type D	Type E
Tk. 3 lac	Tk. 1 lac	Tk. 3 lac	Tk. 1 lac	Tk. 50,000
Tk. 2 lac	Tk. 80,000	Tk. 2 lac	Tk. 80,000	Tk. 20,000

Mouja not included in case | & case 2, except Dhaka South, Dhaka North, Chattogram, Narayanganj, Gazipur City Corporation, all Mouja under other City Corporations and any other Development Authority and all Pourashavas under District Headquarters.

All Mouja under any Pourashavas not included in cases | & 2 and the above list of case 3.

All Mouja under any Upazilla (except Pourashavas) not included in cases | & 2 of the deed value | 2% of the deed value

Provided that where any structure, building, flat, apartment or floor space is situated □ on the land of Types A to D, an additional tax shall be paid @ Tk. 800/- per square meter or 8% of the deed value of such property, whichever is higher.

on the land of Type E, an additional tax shall be paid @ Tk. 500/- per square meter or 6% of the deed value of such property, whichever is higher.

□ on the land of Any other category, an additional tax shall be paid @ Tk. 300/- per square meter or 6% of the deed value of such property, whichever is higher.

The nature (whether residential or commercial) of the land or premises, house, flat, apartment or floor space must be mentioned in the remarks column of every deed, otherwise it will be assumed that tax has not been correctly collected under this Rule. Tax will be deducted under this rule in case of registering the deed for the transfer of land or premises, house, flat, apartment or floor space by the government or any government authority.

Exceptions

TDS under this Rule 6 shall not be applicable in the following cases:

Registration of Mortgage Deed of any land or structure, house property, flat, apartment, or floor space; Registration of Transfer of Property (any land or structure, house property, flat, apartment, or floor space) by United Nations or its body, or any Embassy or Mission; Registration of NOC (No Objection Certificate) Deed where proprietorship is not abolished; Registration of Property Distribution Deed under Inheritance or partnership; Registration of Property Transfer under Waqf or Debottor; and Any Property Transfer Deed against priceless or with no benefit instead of price, e.g. Heba, Gift, Will, Exchange etc.

In case of any land or structure, house property, flat, apartment, or floor space, valued more than Tk. 1,000,000, situated within the jurisdiction of City transfer or conditional agreement against earnest money or Power of Attorney can be done unless the transferor and the transferee submit the Proof of

Submission of Return (PSR),

Under this Rule, each submitted Pay order should be deposited into Government

Treasury through separate A-Challan:

_	Time of Pay Order Collection	Time of Deposit through A Challan
	Is week of July to 3rd week of June, in the fiscal year. Last week of June, in the fiscal year	the week in which the collection was made:
•	Last working day of June, in the fiscal year	Within the last working day of June, in the fiscal year

EXHIBIT

12.7

Additional Tax in Property Registration

Case 1: A piece of 5 katha commercial plot, situated in Gulshan under the jurisdiction of Rajuk area, is sold out with a deed value of Tk. 10 Crore. What income tax is to be collected at the time of registration in this regard?
(a) Income tax payable @ Tk. 15,00,000 per katha (Tk. 15,00,000 \times 5) = Tk. 75 lac and (b) 8% of Deed Value = (10 crore \times 8%) = Tk. 80 lac. So, the income tax payable amount during registration will be higher of (a) and (b) i.e., Tk. 80 lac. In case of residential plot

Case 2: A piece of 5 katha residential plot, situated in Khulshi, Chattogram. is sold out with a deed value of Tk. 1 Crore. What income tax is to be collected at the time of registration in this regard? (a) Income tax payable @ Tk. 1,00,000 per katha (Tk. 1,00,000 \times 5) = Tk. 5 lac and (b) 6% of Deed Value = (1 crore \times 6%) = Tk. 6 lac. So, the income tax payable amount during registration will be higher of (a) and (b) i.e., Tk. 6 lac

Case 3: Mr. Hasan has purchased a 2,500 Sq. flat (with proportional ownership of 0.5 katha land) from a Real Estate Developer Company in Dhanmondi R/A. The Deed Value of the flat is Tk. 60,00,000 (value of land Tk. 20 lac and value of flat Tk. 40 lac). What income tax is to be collected at the time of registration in this regard U/s 125? Here, Income tax payable under Section 125: Income tax payable for land - (a) Tk. 400,000 per katha (Tk. $400,000 \times 0.5$) = Tk. 200,000 and (b) 8% of Deed Value = (Tk. $200,0000 \times 8\%$) = Tk. 160,000. So, the income tax payable amount during registration for land will be higher of above (a) and (b) i.e., Tk. 200,000. Additional income tax payable for flat - (a) Tk. 800 per Sq. Meter: $(800 \times 2,500)/10.76$ = Tk. 185,874 [1 Sq. meter = 10.76 Sq. feet] and (b) 8% of Deed Value = (Tk. $40,00,000 \times 8\%$) = Tk. 320,000. So, the income tax payable amount during registration for flat will be higher of above (a) and (b) i.e. Tk. 320,000. Therefore, the total income tax payable amount for the land and flat will be (Tk. 200,000 + Tk. 320,000 - Tk. 520,000.

Persons in Real Estate or Land Development Business [Sec 126 & Rule 7]

Any person responsible for registering any document for transfer of any land, building, house, flat, apartment or floor space, under the provision of Registration Act 1908 (XMI of 1908), shall not register the document unless tax is paid at specific rate by the transferrer who is engaged in real estate or land development business [Section

126(1)]. For this section, the rate of tax will not exceed [Section 126(2)] the

following:

10		
	: 1 murposes	Tk. 1,600 per square meter
building, house, flat	For residential purposes	Tk. 6,500 per square meter
apartment or floor spe	other purposes	
aparunent of free sp	-tmants	5% of the Deed Value
1 and related to t	he buildings or apartments	
Land related to it		

Rate of TDS, as the case may be |Rule 7, TDS Rules, TDS Rules 2024 SRO 161. Law/IT-36/2024 dated May 29, 2024

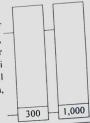
Any person responsible for registering any document for transfer of any building or apartment, under the provision of Registration Act 1908 (XVI of 1908), shall not register the document unless tax is paid at the following rate and a copy of A Challan is attached with the application as a proof by the transferrer who is engaged in real estate or land development business,

☐ In the case of building or apartment constructed for residential and commercial/ non-residential purposes TDS is as follows per square meter -

		_	
TDS per square meter for residential (RES) or commercial (COM) p	urp	oses
	RES		СОМ
 All Mouja of Dhaka District under Gulshan, Banani, Motijheel & Tejgaon P. S. 	1,600		6,500
 All Mouja of Dhaka District under Dhanmondi, Wari, Tejgaon Industrial P.S., Shahbag, Ramna, Paltan, Bongshal, Newmarket, and Kalabagan P. S. 	1,500		5,000
 All Mouja of Dhaka District under Khilkhet, Kafrul, Mohammadpur, Sutrapur, Jatrabari, Uttara Model P.S., Cantonment, Chwakbazar, Kotowali, Lalbag, Khilgaon, Shampur, and Gandaria 	1,400		4,000
• All Mouja of Dhaka District under Dohar, Nababganj, Keraniganj, Savar, and Dhamrai P.S.; All Mouja of Chattogram District under Akbar Shah, EPZ, Karnaphuli, Chwakbazar, Chandgaon, Doublemooring, Potenga, Panchlaish, Bandar, Baklia, Bayejid Bostami, and — Sadarghat P.S.; All Mouja of Narayanganj District under Araihazar P.S.; except Dhaka South, Dhaka North, Chattogram, Narayanganj, Gazipur City Corporation, all Mouja under other City Corporations	700		2,000
 All Mouja of Dhaka District under Airport, Uttara West, Mugda, Rupnagar, Vashantek, Badda, Pallabi, Vatara, Shahjahanpur, Mirpur Model, Darussalam, Dakshinkhan, Uttarkhan, Turag, Shah Ali, Sabujbag, Kadamtali, 	1300		3,500

Chapter - 12 Deduction of Taxes

Chawkbazar, Kamrangirchar, Kotowali, Lalbag, Hajaribag, Demra, and Adabar P.S.; All Mouja of Chattogram District under Khulshi, Panchlaish, Pahartali, Halisahar, and Kotowali P.S.; All Mouja of Gajipur District under Sadar, Bashan, Konabari, Gacha, Tongi East, Tongi West, Joydebpur, and Kaliganj P.S.; All Mouja of Narayanganj District under Sadar, Fatullah, Siddirganj, Bandar, Rupganj, and Sonargaon P.S.;



• any other area that are not included above

- \square Any person responsible for registering any document for transfer of any land related to building or apartment, or any land constructed or developed by any Developer or Real Estate Developer (as defined U/s 2 of the Real Estate Development and Management Act, 2010) under the provision of Registration Act 1908 (XVI of 1908), shall not register the document unless tax is paid at the following rate and a copy of A Challan is attached with the application as a proof by the transferrer i.e. Developer or Real Estate Developer, such as:
 - 5% of the Deed Value for Dhaka, Gazipur, Narayanganj, Munshiganj, Manikganj, Narsingdi and Chattogram districts;
 - Three percent (3%) for any other district.

Other Pointers:

- ☐ TDS under this Rule 6A shall be applicable within the meaning of the definition of "Developer" or "Real Estate Developer", in case of the development or transfer of any land or structure, house property, flat, apartment, or floor space by the government or any government authority;
- \square In case of any land or structure, house property, flat, apartment, or floor space, valued more than Tk. 1,000,000, situated within the jurisdiction of City Corporation, Pourashava, or Cantonment Board, no registration for sales or transfer or conditional agreement against earnest money or Power of Attorney can be done unless the transferor and the transferee submit the Proof of Submission of Return (PSR).
- ☐ Under this Rule, each submitted Pay order should be deposited into Government Treasury through separate A-Challan:

Time (of Pay Order Collection	Time of Deposit through A Challan
of J	week of July to 3 rd week une, in the fiscal year. It week of June, in the cal year st working day of June, the fiscal year	Within next working day in which day the collection was made;

Deduction of Tus from Commission paid for selling Government Stamp.

Court Fee, Curredge Paper etc. [Section 127] Are person responsible to paying commission discount or fee, in whatever name Any person responsing to succeeding the Carridge Paper etc. shall deduct tax at the rute of 18% or such amount at the time of making payment

Collection of Fix from Lease of Property [Section 128]

Any preserving officer responsible for registering, under the Registration Act, 1909 13.3.1 of 140%; any document in relation to any lease of immovable property for new less than ten some shall not register such document unless tax is paid at a rate of fourpercent (4%) by the fessee on the lease amount of such property

Ciparette Manufacturers [Section 129]

has necessor responsible for selling banderols to any manufacturer of cigarettes shall at the time of selling banderols, collect tax from such manufacturers on account of the manufacture of cognette at the rate of 10% of the value of the banderols. Here "manufacture of cigarettes" means manufactu e of cigarettes manually without any mechanical and substroever

Brick Manufacturers [Section 130]

Any person responsible for issuing or renewal of permission for the manufacture of brocks under the Brick Manufacturing and Brick Kiln Establishment (control) Act 2013 100 No. Act of 2013) shall not issue or renew such permission unless the application for issuance or renewal of such permission is accompanied by a tax clearance conficate of the preceding assessment year along with the receipt of the tax verified by the DCT at the rates

Types and Many description of the Control of the Co		
Type at Brackwork (In case of seasonal brick kilns)		Adv. Tax Rate
• Sat exceeding 108,000 cubic feet volume		Tk. 8,000
Exceeding 108,000 but not exceeding 124,000 cubic feet More than 124,000 cubic feet	-	Tk. 20,000
* In the case not mentioned above		Tk. 160,000
allow allow		Tk. 220,000

Where a focusing is to be granted or renewed for more than one year in any year, advance tax at the rate mentioned above shall be deposited through treasury within June 30 of the year or years following the year of license issue or renewal [Sec 130(2) Where in any year the person who produces or manufactures bricks fails to pay the advance tas as per subsection 2, the amount of advance tax payable by such person in the subsequent year shall be determined in accordance with formula $\mathbf{A} + \mathbf{B}$,

A amount of advance tax remained unpaid in the previous year or years, and

B. amount of advance tax payable under subsection (1) in the year of payment.

Collection of Tax by City Corporation or Pourashava at the Time of Renewal of Trade License [Section 131]

City Corporation or Pourashava shall collect tax for each trade license at the time of renewal of such license at the rate of Tk. 3,000 in Dhaka South/North or Chittagong City Corporation; Tk. 2,000 in any other city corporation; Tk. 1,000 in any paurashava at any district headquarter; and Tk. 500 in any other paurashava.

Shipping Business of a Resident [Section 132]

 $TDS \ \widehat{a} \ 5\%$ of the total freight received or receivable by a ship owned or chartered by a resident assessee for carrying passengers, livestock, mails or goods at the time of granting port clearance by customs authority, unless a certificate is received in prescribed mar. er from Deputy Commissioner of Taxes concerned. Provided tax shall be collecte a 3% of total freight received or receivable from services rendered between two or n we foreign countries.

Collection of ta on sale of goods or property by public auction [Sec. 133]

Any person mak ag sale, by public auction through sealed tender or otherwise, of any goods or property belonging to any specific owner, shall collect, before delivering the possession of the goods or the property or allowing to exercise the rights, as advance tax on the income from the sale price of such goods or property from the auction purchaser at the rate of 10% of the sale price. Provided that the rate of deduction shall be 1% in case of sale of tea by public auction. If any land is sold as plot through open auction, no TDS will be applicable under this section. For the purposes of this section,

- ☐ "Sale of Goods or Property" means lease of any goods or property, Jolmohal, Balumohal, Sairat Mohal, including a lease of the right to collect octroi duties, tolls, fees or other levies, by whatever name called, but does not include sale of a plot of land.
- "Specific Owner" means Government or any authority, including its units, the activities or the principal activities of which are authorized by any Act, Ordinance, order or instrument having the force of law in Bangladesh or any company or entity established by or under any law for the time being in force.

Collection of Tax from Share Transfer [Section 134]

Any person responsible for registering the transfer of non-listed company shares made by any resident to any person, shall not do so until the transferor pays 15% tax on the face value and fair value and attach the concerned challan with the said application. For the purpose of this section,

- ☐ "Face Value" means the value set by the issuer and will include any additional amount, if
 - · It is paid through bank transfer; and
 - It is shown properly in the Income Tax Return of the Assessee
- ☐ "Fair Value" means the value set by any Professional Valuer in the "Valuation Report" made before the said transfer;

Collection of Taxes on Transfer of Securities [Section 135] Collection of Taxes on Transfer of Securities of a company or fund listed in a The person responsible for the transfer the securities unless, before effecting the transfer the securities unless, before effecting the transfer stock exchange shall not transfer the securities unless, before effecting the transfer. stock exchange shall not transfer in accordance with the following formula:

$$A = (B - C) \times 10\%$$

where, A= amount of tax payable under this section; B = Transfer value of securities: and C = Acquisition value of the securities.

For the purpose of this section:

- ror the purpose of this securities of a cor pany or fund held by a sponsor securities means the securitie fund:
- 'transfer' includes transfer other than a gift between parents and children, and between spouses:
- □ 'transfer price' means-
 - The closing price of the securities on the day of approval or approval of the transfer by the BSEC or the Stock Exchange; or
 - The closing price of the securities on the day on which the securities were last traded, if there is no trade of the securities on the day on which the consent is given by the BSEC or the Stock Exchange.

Transfer of Share of Shareholder of Stock Exchanges [Section 136]

The Principal Officer of a stock exchange shall deduct tax at the rate of 15% on any profits and gains arising from the transfer of share of a shareholder of stock exchange established under the Exchanges Demutualization Act, 2013 (Act No. 15 of 2013) at the time of transfer or declaration of transfer or according consent to transfer of such share, whichever is earlier. Here, for computation of profits and gains of share, the cost of acquisition of such share shall be the cost of acquisition incurred before the Exchanges Demutualization Act, 2013 (Act No. 15 of 2013)] came into force.

Member of Stock Exchange [Section 137]

The Chief Executive Officer of a stock exchange shall collect tax at the rate of 0.05%on the value of shares and mutual funds transacted by a member of a stock exchange. This section however, shall not be applicable on the transfer of listed Sukuk & Bond.

Collection of tax from motor vehicles plying commercially [Section 138]

The person responsible for the registration and fitness renewal of motor vehicles shall not register or allow fitness renewal unless, a challan of advance tax at the rate given in the following table is attached with the application:

Bus having more than 52 seats	Tax Rate
Bus having 52 or less seats	Tk. 16,000
Air-Condition 11	11,500
Air-Conditioned Luxury Bus Double Decker Bus	37,500
A die Constitution	16,000
Air-Conditioned minibus/coaster	16,000
Other types of minibus/coaster	6,500
Primemover used for carrying container	24,000
- Truck/Tank Lorry (capacity more than 5 ton)	16,000
Truck/Tank Lorry (capacity > 1.5 and < 5 ton)	9,500
Truck/Pick up (capacity < 1.5 ton), all kind of human hauler,	7,500
maxi, goods carrying auto rickshaws	4,000
Air-Conditioned Taxi cab	11,500
Taxi Cab without Air conditioned —	
	4,000

In case of registration or fitness renewal of a vehicle for more than one year, advance tax as above shall be collected on or before 30th June in every subsequent year or years following the year in which registration or fitness renewal of the vehicle has been done [Sec 138(2)].

Where any person fails to pay advance tax as mentioned here, the amount of advance tax payable shall be calculated in accordance with A + B formula, where A = the amount of advance tax not paid in the previous year or years; and B = the amount of advance tax payable under sub-section (2) for the year in which an asseesee is making the payment.

Ad٠	Advance tax under sub-section (2) shall not be collected if the vehicle is owned by -				
	the government and the local government;				
	a project program or estisies under the				

- a project, program, or activity under the government and the local government; a foreign diplomat, a diplomatic mission in Bangladesh, UN and its offices;
- a development partner of Bangladesh and its affiliated office or offices;
- an educational institution under the Monthly Payment Order of the Government; a public university;
- Gazetted wounded freedom fighter;
- an institution that has obtained a certificate from the Board that advance tax shall not be collected from it

Collection of tax from inland ships (Section 139)

The person responsible for granting a certificate of survey or renewing a certificate of survey under the Inland Shipping Ordinance, 1976 shall not grant or renew such certificate of survey U/s 12 unless, a challan of advance tax computed at the rate given in the following table is attached with the application:

Bangladesh Income Tax - Theory and Practice

Tax Rate

Tax Rate

Inland ships engaged in carrying passengers in inland water (carrying capacity of an inland ship shall be the capacity of daytime plying in smooth waters)

Cargo/Container (multipurpose) and Coaster engaged in carrying goods in inland water

Dump Barge engaged in carrying goods in inland water

Tax Rate

Tax Rate

Tax Rate

In case of granting a certificate of survey or renewing a certificate of survey for more than one year, such advance tax shall be collected on or before 30th June in every than one year, such advance tax shall be vear in which grant of or renewal of such subsequent year or years following the year in which grant of or renewal of such certificate has been done [Sec 53R(2)]. Where any person fails to pay advance tax in certificate has been done [Sec 53R(2)]. Where any end and the payable shall be accordance with sub-section (2), the amount of advance tax payable shall be accordance with A + B formula, where A = the amount of advance tax payable not paid in the previous year or years; and B = the amount of advance tax payable under sub-section (2) for the year in which an assessee is making the payment.

Here, 'inland ship' and 'inland water' shall have the same meaning as defined in the Inland Shipping Ordinance, 1976 (Ordinance No. LXXII of 1976).

12.7 CLO

12.5

GENERAL RULES APPLICABLE ON TDS

Deduction of Tax on Grossed Up Value in case of Payment without deduction

As per Section 141 & Rule 13, where the person responsible for payment, pays any amount without deduction or collection of taxes, tax will be deducted based on the following formula [Sec 141(1)]:

$$C = (100 \times A) \div (100 - B)$$

where C = Amount computed on which tax will be deducted, A = Amount of payment without Tax, and B = Applicable tax rate

Where, the receiver of the payment without tax – were liable to submit proof of return submission but failed to do so; or failed to receive such amount through bank transfer, in such cases the above mentioned "B" i.e. "Applicable tax rate" shall be determined as per the rules of this chapter i.e. Section 142 [Section 141(2)]. For this section, "Payment without Tax" means any payment made by the payer without deduction or collection of tax on the basis of any agreement or arrangement [Section 141(2)].

General Rules of Tax Deduction or Collection at Sources [Sec 142 & Rule 14] Except the provision under Section 119 (Deduction of tax from non-residents) or if no different rules exist under any other section of this chapter, the rate of tax shall be making the payment [Sec 142(1)]. If no different rules exist, the rate of tax shall be

50% higher if the payee does not receive payment against contract price, bill, rent, fee, charge, salaries, remuneration, or any other pay, whatever the name, by bank transfer [Sec 142(1)].

12.8 CONSEQUENCES OF FAILURE TO DEDUCT, COLLECT ETC. [SECTION 143]

- ☐ Where a person, under the provisions of this Part 7
 - fails to deduct or collect tax at source as required; or
 - deducts or collects tax at a lesser rate or in lesser amount; or
 - after deducting or collecting tax, fails to pay the same to the credit of the Government, or pays to the credit of the Government an amount lower than the collected or deducted amount; or
 - · fails to comply with any other provision;

such person shall be deemed as an asseesee in default [Section 143(1)].

- ☐ Without prejudice to any other consequences to which the person may be liable, shall be liable to pay:
 - the amount of tax that has not been deducted or collected; or
 - the amount which was required to be deducted or collected, as reduced by the amount that has been actually deducted or collected; or
 - the amount that, after being collected and deducted, has not been paid to the credit of the Government; or
 - a penalty not exceeding Taka ten lakhs for being non-compliant in respect of cases other than the cases mentioned above [Section 143(2)].
- ☐ In addition to the amount as mentioned in sub-section (1), the person shall also be liable to pay an additional amount @ 2% per month on the amount other than the penalty as mentioned in above clauses (i), (ii) and (iii) of clause of sub-section (1), as the case or cases may be, calculated for the period [Sec 143(3)].

In the case of	Base of calculation of additional amount
failure to deduct or collect under the provisions of this chapter	the amount of tax that has not been deducted or collected
deduction or collection at lower rate or amount	the amount which was required to be deducted or collected, as reduced by the amount that has been actually deducted or collected
 failure to deposit the amount deducted or collected to the government treasury 	the amount that, after being collected and deducted, has not been paid to the credit of the Government

.

12.5

- ☐ The period for which the additional amount is calculated shall be from the date of deduction or collection to the date of payment of the amount to the government treasury. Provided that such period shall not exceed twenty-four months [Section 143(4)].
- The Deputy Commissioner of Taxes shall take necessary action for the realization of the amount and penalty as mentioned in sub-section (2) and the additional amount as mentioned in sub-section (3) from the person referred to in sub-section (1) after giving the person a reasonable opportunity of being heard [Section 143(5)].
- ☐ Where the person responsible for deducting or collecting tax under this chapter is the Government, government organization, any authority, project, program, body, unit or activity where government has any financial or operational involvement-
 - the individuals responsible for approving or allowing the payment; or
 - the individuals who are responsible for allowing, approving, or granting any clearance, registration, license, permits, etc. shall, permits, etc.

shall be jointly and severally liable to pay taxes, penalty or additional amount under this section [Section 143(5)].

- ☐ Where the person responsible for deducting or collecting tax under this chapter is a person other than the Government, or any authority, corporation or body of the Government- including its units or a project or programme or activity where government has any financial or operational involvement-
 - the organization itself; and or
 - the individuals responsible for approving or allowing the payment

shall be jointly and severally liable to pay taxes, penalty or additional amount under this section.

□ No realization of the amount mentioned in sub-section (1) shall be made if it is established that such amount as mentioned in subsection (2) & (3) has meanwhile been paid by the person from whom the deduction or collection was due.

12.9

CLO

12.6

CHARGE OF MINIMUM TAX [SEC 18(3)(c) & 163]

According to Section – 18(3)(c), where under the provisions of this Act any minimum tax is to be charged, it shall be charged, levied, paid and collected accordingly. Notwithstanding anything contained in any other provisions of this Act, minimum tax shall be payable by an assessee in accordance with the provisions of section 163 of the ITA, 2023.

According to Section 163(2), Any tax deducted or collected at source under the provisions of following sections shall be the minimum tax on income from the source or sources from which tax has been deducted or collected.

Section 88 Payment to Beneficiary of Workers' Participation Fund

Chapter - 12 Deduction of Taxes

	Section 89	Payment to Contractors, etc.
	Section 90	Payment for Certain Services
	Section 91	Payment of Royalties etc.
	Section 92	Advertising Bill of Newspaper or Magazine or Private Television
		Channel or Private Radio Station etc.
	Section 94	Commission, Discount or Fees
	Section 95	Collection of Tax from Travel Agent
	Section 100	Insurance Commission
	Section 101	Fees, etc. of Surveyors of General Insurance Company
	Section 102*	interest on saving deposits and fixed deposits, etc.
	Section 105*	interest on saving instruments
	Section 106	Interest on Securities
	Section 108	Receipts in Respect of International Phone Call
	Section 110	Services from Convention Hall, Conference Centre, etc.
	Section 111	Compensation Against Acquisition of Property
	Section 112*	Export Cash Subsidy
	Section 113	Freight Forward Agency Commission
	Section 114	Collection of Tax on Account of Purchase of Power
	Section 115	Payment by Real Estate Developer to Landowner
	Section 116	Commission/Remuneration Paid to Agent of Foreign Buyer
	Section 117	Dividends
	Section 118	Lottery, etc.
	Section 120	Importers
	Section 121	Income Derived from Export of Manpower
	Section 122	Commission of Clearing & Forwarding (C&F) Agents
	Section 123	Export Proceeds of Goods
	Section 124	Any Income Remitted from Abroad in Connection with Any Service,
	4 1	Revenue Sharing, etc.
	Section 125*	Transfer of Property
Coli Ori	Section 126	Demans in Peal Estate or Land Development Business
	Section 127	Commission paid for selling Government Stamp, Court Fee,
		Cartridge Paper etc.
Mr. John S.		Lease of Property
$\mathbb{R}^{2\times n} \times \mathbb{F}_{0}$	Section 129	Cigarette Manufacturers
	Section 132	Shipping Business of a Resident
	Section 133	Sale price of goods or property sold by public auction
BUUN S	Section 134	Share Hansier
	Section 135	
, , . !	Section 136	Transfer of Share of Shareholder of Steel
i Ed 🥕	Section 137	Member of Stock Exchange
	Section 138	Collection of tax from more
	Section 139	Inland ships
e 1 10 10 10 10 10 10 10 10 10 10 10 10 1	tho <u>roge is soo</u>	- ·

^{*} Final Payment of Tax

18

CERTIFICATE OF DEDUCTION [SECTION 145]

CLO 126

As pur sec. (4s and Rule 11, every person who deducts or collects tax shall furnish to As pur sec (45 and Kule 11 ever) per the person to or from whom such deduction or collection has been made, a certificate the person to or from whom such deduction or collection in Tex. Deduction the person to or from whom social section as per the specimen given in Tax Deduction at Source of tax deduction or collection as per the specimen given in Tax Deduction at Source Rules 2022 specifying therein

	Admitification Number, if any, or the person from
-	The name and the Taxpayer's Identification Number, it any, or the person from
4	The name and the fundad or collected:
	whem tax has been deducted or collected;
	Aduction or collection of taxes,
£	The amount of deduction or collection of taxes: Section or sections under which tax has been deducted or collected; Section or sections under which tax has been deducted or collected amount to the credit of deducted or collected amount to the credit of
P	
-	of deducted or collected amount to the credit
C	Section or sections under without as a Section or section or sections under without as a Section or section or sections under without as a Section or section or sections under without as a Section or section or section or sections under without as a Section or section or sections under without as a Section or sect

the Government, and \square Such other particulars as may be prescribed in the specimen form.

The Board may, by notification in the official Gazette-

- specify the cases in which the certificate of tax deduction or collection shall be generated or furnished electronically or in any other machine readable or computer readable media;
- specify the manner in which such electronic, machine readable or computer readable certificate shall be generated or furnished.

Every person who has deducted or collected any tax shall furnish a statement to such moome tax authority and in such manner as may be prescribed.

Consequences of the issuance of certificate of tax deduction or collection without actual deduction, collection or payment [Section 144]

- Where a person issues a certificate of deduction or collection of tax at source wathout actual deduction or collection or payment to the credit of the Government, without prejudice to any other consequences to which he may be liable the person shall be personally liable to pay the amount not being deducted, collected or paid to the credit of the Government.
- The Deputy Commissioner of Taxes shall take necessary action for the collection of amount mentioned in sub-section (1) from the person so personally liable after groing the person a reasonable opportunity of being heard.

MANNER OF PAYMENT OF TDS [SECTION 146 & RULE 8]

As per Rule 8 the person responsible for making deduction or collection of tax under Chapter VII of the Act shall pay the amount of tax so deducted or collected to the credit of the Covernment within the time specified in Rule 8 by-

remailing	Ħ	through	an	Δ	challe-	
			-	n	chailan.	01

transferring the amount electronically in the manner as specified by the Board

Save as provided in this Act, no person shall charge, withhold, deduct or collect any sum, directly or indirectly, as tax and, where any sum is so charged, withheld, deducted or collected, it shall be paid in the manner provided in this section [Section 146(2)].

CLO 12.6

12.7

TIME OF TDS PAYMENT TO GOVERNMENT [RULE 9]

All sums of TDS have to be deposited to the national exchequer within the prescribed time specified in Rule 9 by the person making the deduction to the credit of the Government or as the Board may direct:

In case of deduction or collection made in any:	Date of payment to the credit of the Government
month from July to May of a year	within two weeks from the end of the month in which the deduction or collection was made
a day from June 01 to June 20 of a year	within seven days from the date in which the deduction or collection was made
• other dates of the month of June of a year	The next following day in which the deduction or collection was made
last working day in June of a year	day in which the deduction or collection was made

POWERS OF INCOME TAX AUTHORITY TO VERIFY AND 12.13 **ENFORCE DEDUCTION/COLLECTION OF TAX [SEC 147]** CLO

An authority, empowered in writing by the Commissioner of Taxes, Director General of Inspection or Director General of Intelligence Cell to verify deduction or collection of tax at source or to enforce the provisions of Part 7 of this ACT, -

☐ Regarding any individual's or organization's

- shall have full and free access to the premises, places, products, books of accounts/records of economic activities maintained in any form or manner;
- shall have access to any information, code or technology which has the capability of retransforming or unscrambling encrypted data contained or available to such computers into readable and comprehensive format or text;
- may extract the data, images or any inputs stored in the electronic records and systems or enter the systems by breaking through password protection or copy or analyze the data, books of accounts, documents, images or inputs;
- may enter into the system breaking through the password;
- may copy or analyze any information, books of accounts, documents, image
- may place marks of identification on or stamp any books of accounts or other document or make or cause to be made extracts or copies therefrom;

CLO

126



Specify the rate of tax deducted at sources under each of the following heads:

(a) Salaries

(d) Commission to foreign buyer's agent

(c) Clearing and forwarding agents

(e) Sale of goods or property by public auction.

 may impound and retain any such books of accounts, documents, electronic records and systems; and

may require any person to perform or refrain from activities as directed;

☐ An authority empowered under sub-section (1), may be accompanied by experts. valuer or forces as he reasonably thinks fit [Section 147(1)].

Where any authority empowered under sub-section (1) is obstructed, hindered or unassisted by any person, the person in whose premise or place the authority has entered or intended to enter shall be liable to a penalty not exceeding Taka fifty lakh. Where a person is found to be in default in respect of compliance of the provisions under this Part, the Deputy Commissioner of Taxes shall, after recording explanation of the person so in default or ex parte where no explanation is found, proceed to recover the amount of taxes along with penalties by making an assessment thereof. [Section 147(2-3)].

Power to levy tax without prejudice to other mode of recovery [Section 148]

The power to levy tax by deduction or collection under this Part shall be without prejudice to any other mode of recovery.

SOLVED PRACTICAL CASES (SPC)



ADVANCED INCOME TAX, SUPPLEMENTARY DUTY, VAT, TDS

[ICAB adapted] Biki (Bangladesh) Company Limited is engaged in trading business of consumable goods. During the income year ended on June 30, 2024, the company procured goods for commercial purposes from both home and abroad.

On July 2023: purchased (home) Tk. 30 lac and imported at C & F value \$5 lac. On October 2023 : purchased (home) Tk. 40 lac and imported at C & F value \$4 lac.

Other data

- Exchange rate on July was \$1 = Tk. 108 and October \$1 = Tk. 110.
- Paid import duty @ 20% and supplementary duty @ 25% at import stage.
- VAT and AIT were also imposed at applicable rates at import stage.
- Custom's assessed value for goods imported in July 2023 and October 2023 was USD 550,000 and USD 440,000 respectively.
- All the imported goods were sold to one special customer.

Goods purchased locally were sold to five different customers, A, B, C, D, E as:

Chapter - 12 Deduction of Taxes

	A (Tk.)	B (Tk.)	C (Tk.)	D (Tk.)	E (Tk.)
July 10, 2023	200,000	150,000	300,000	500,000	2,400,000
October 24, 2023	400,000	100,000	300.000	700,000	2,500,000
November 28, 2023	_500,000	200,000	400,000	400,000	700,000
Total	1,100,000	450,000	1.000.000	1,600,000	5,600,000

Compute (i) advance income tax (AIT), supplementary duty (SD) and value added tax at import stage and (ii) AIT deducted at source by each customer.

Computation of AIT, SD and VAT

	USD	Exchange Rate	BDT
Import value (as assessed by customs) July 2023 October 2023 Assessable value in BDT as per customs Add: 1% insurance (CIF value is needed as base) Assessable Value Add: Import Duty @ 20% Base value for Supplementary Duty Add: Supplementary Duty @ 25% Base Value for VAT VAT @ 15%	550,000 440,000	108.00	59,400,000 48,400,000 107,800,000 10,78,000 10,775,600 130,653,600 32,663,400 163,317,000 24,497,550
AIT @ 5% on assessable value			187,814,550 93,90,728 197,205,278

Computation of AIT deducted at source by customers (Section 89 & Rule 16)

comp	A	В	C	D	E	Total
1. Sales (BDT)	1,100,000	450,000	1,000,000	1,600,000	5,600,000	9,750,000
2. Applicable Rate	3%	3%	3%	3% 48.000	5% 280,000	404,500
3. AIT (BDT) [1 × 2]	33,000	13,500	30,000	48,000	280,000	401,500

Note: Accumulation is not made as sales were made to five different customers.



TDS IMPLICATIONS

Examine the TDS implications in the cases mentioned hereunder.

- ☐ Case 1: On 1.7.23, Mr. Jamal purchased a six-month 10% government security from Bangladesh Bank paying Tk. 1 lac. The security matures on 31-12,2023.
- Case 2: ABC & Sons serves as a Clearing and Forwarding (C&F) agent. They have signed a contract with ACI Ltd. for the clearing and forwarding of goods imported from the Chattogram Port. On June 25, 2024 ABC & Sons has

- completed clearing and forwarding of a container of goods valued Tk. $50,\!00,\!000$ for which they are eligible to receive 3% commission.
- Case 3: Mr. Belal is a tobacco farmer and engaged in the manufacturing and sale
 of handmade cigarettes (biri) in Rangpur. During the year he purchased banderols
 of Tk. 10,00,000 from the concerned office.
- ☐ Case 4 Mr. B is a Bangladeshi citizen. During the year 2023-2024, he received compensations of Tk. 50 lac and Tk. 30 lac against the government's acquisition of lands in Mirpur, Dhaka & Fulgaji, Feni (outside of Paurasabha) respectively.
- ☐ Case 5. ACI Limited has paid Tk. 50,000 and Tk. 10,000 to their employees Mr. S (Officer) and Mr. R (Peon) from the workers' participation fund on 01.04.24.

Tax Implications of the cases are:

Case 1. Bangladesh Bank has to deduct TDS @ 5% on the interest Tk. 5,000 (10% ×100,000 × $\frac{6}{12}$) under section 106. The TDS under section 106 from such interest is, therefore, Tk. 250.

Case 2. The Commissioner of Customs has to deduct TDS @10% on the commission receivable by the C&F agent, ABC & Sons Tk. 150,000 (3% × 50 lac)) under section 122. The tax deductible at source under section 122 from such commission is, therefore, Tk. 15,000.

Case 3: The concerned authority has to deduct TDS @10% of the value of banderols Tk. 10,00,000 under section 129. The TDS under section 129 from such interest is, therefore, Tk. 100,000.

Case 4 The concerned authority has to deduct TDS @ 6% of the compensation value of Mirpur Land Tk. 50 lac [as per sec 111], as the land is in the jurisdiction of DNCC. Conversely, TDS rate will be @ 3% on the compensation value of Fulgaji land Tk. 30 lac as the land is outside the jurisdiction of any city corporation, paurasava or cantonment board. The TDS under section 111 from such compensations are, therefore, Tk. 300,000 and Tk. 90,000 respectively.

Case 5: ACI Limited has to deduct tax at source@10% of the amount paid to Mr. Shovon Tk. 50,000 from the workers' participation fund under section 88. The tax deductible at source under section 88 from such amount is, therefore, Tk. 5,000. On the other hand, TDS applicable against the payment to Mr. Raju, will be Tk. 1,000.

SPC 12.3

TDS IMPLICATIONS

Examine the TDS implications in the cases mentioned hereunder.

- Case 1 On 01.01.2024, Mr. Jamal, the owner of an automated brick field of 130,000 cubic feet, has applied for the permission to start the brick
- ☐ Case 2: On 01 08.2023, Mr. Belal, the owner of a Fast Food Shop in Dhaka New Market has applied for the renewal of his Trade License to the DSCC Office.

Chapter - 12 Deduction of Taxes

- ☐ Case 3: ACI Limited has paid Tk. 50,000 to HTL. as commission to the foreign buyer's agent on March 15, 2024.
- ☐ Case 4: Metlife has paid Tk. 50,000 to Mr. Jalil as the fee for survey on January
- Case 5: Gramcenphone Limited has arranged its AGM in Hotel Serina Ballroom for Tk. 10.00.000 on March 25, 2024.

Tax Implications of the cases are:

Tax implications of the concerned authority cannot issue the permission unless the application for issuance of such permission is accompanied by a tax clearance certificate of the preceding assessment year (i.e. A/Y 2023-24) along with the receipt of the tax verified by the DCT at the rate Tk. 160,000 for brick field producing bricks through automatic machine.

Case 2: U/s 131, DSCC authority shall collect tax for each trade license at the time of renewal of such license at the rate of Tk. 3,000 from Mr. Belal.

Case 3: ACI has to deduct TDS @10% of the amount paid to HTL Tk. 50,000 as foreign buyer's agency commission u/s 116. The TDS under sec. 116 from such amount is, therefore, Tk. 5,000.

Case 4: Metlife has to deduct tax at source@15% on the amount 50,000 under section 101, before paying the fee. The tax deductible at source under section 101 from such fee, therefore, Tk. 7,500.

Case 5: U/s 110, Grameenphone Limited has to deduct tax at source@5% of the amount paid to Hotel Serina Tk. 10,00,000 as the rental fee of Ballroom for arranging its AGM. The tax deductible at source under section 110 from such amount is, therefore, Tk. 50,000.

SPC 12.4

TDS IMPLICATIONS

Examine the TDS implications in the cases mentioned hereunder.

- Case 1: On 01.01.2024, Microsoft has remitted Tk. 10 lac to Barrister Tareque, its legal representative in Bangladesh, as fee, and Tk. 50 lac to ABC Limited for the civil work in their Dhaka Office. The remittance was done through SCB.
- the civil work in their blacks of the civil work in the civil work
- ☐ Case 3: One Bank Limited has paid Tk. 12,00,000 to Mr. Jamal, the owner of the Mirpur Branch Building, as annual rent for the building on July 01, 2023.
- ☐ Case 4: Alibaba.Com has remitted Tk. 50 lac to Monno Ceramic Limited as export proceeds on 01.04.2024. The remittance was done through SCB.
- □ Case 5: Grameenphone Limited has sold an old car to Mr. Fazal through public auction @ Tk. 10,00,000 on January 01, 2024.
- ☐ Case 6: Mr. Mahbub has won the 1st prize of the National Heart Foundation Lottery. The 1st prize winning value is Tk. 30,00,000. National Heart Foundation Authority has distributed the Lottery prizes on March 25, 2024.

Tax Impla are my rife carriere

Come : 6 & 124 Namediard Chartered Bank his to deduct tax at source(\$\hat{a}^2\$) 5% of the amount Tk. 10.00 00k pand is Microsochi's legal representative in Bangladesh Barrister Tareque, and (\$\hat{a}^2\$).5% of the amount Tk. 56 (it told) pand is ABi 2 involed live the exist work in its Dhaka Office. The tax deductible at source under section 3.4 from such remittance amount is therefore, Tk. 75,000 and Tk. 375,000 respectives.

Care 7: 1 + 98. Commonphone, imited his to deduct tax at source a 20% of the revenue sharing amount of Th. The crops made is RTRC. The tax deductible at source under section 98 from such amount to therefore Th. To come

Come # (x 100 Clinc Plants Limited has to deduct tax at source of 5% of the amount Tk. 12,00,000 paid to hite James: the events of the Mergar Branch Building, as annual rent for the building. The tax deductable at source under section 100 from such amount is, therefore, Tk. 60,000

Classifier of 4. 3, 523. Service passing the amount of export proceeds to Monno Ceramic Limited, Standard Classifier of Bank, Inc. 47. deduct tax at source a 1% of the amount Tk. 50,00,000 received as export proceeds from a character of the tax deductible at source under section 123 from such export proceeds and the section of the tax deductible at source under section 123 from such export proceeds and the section of the tax deductible at source under section 123 from such export proceeds and the section of the tax deductible at source under section 123 from such export proceeds and tax deductible at source under section 123 from such export proceeds and tax deductible at source under section 123 from such export proceeds as the section 124 from the tax deductible at source under section 125 from such export proceeds as the section 125 from the tax deductible at source under section 125 from the tax deductible at source under section 125 from the tax deductible at source under section 125 from the tax deductible at source under section 125 from the tax deductible at source under section 125 from the tax deductible at source under section 125 from the tax deductible at source under section 125 from the tax deductible at source under section 125 from the tax deductible at source under section 125 from the tax deductible at source under section 125 from the tax deductible at source under section 125 from the tax deductible at source under section 125 from the tax deductible at source under section 125 from the tax deductible at source under section 125 from the tax deductible at source under section 125 from the tax deductible at source under section 125 from the tax deductible at source under section 125 from the tax deductible at source under section 125 from the tax deductible at t

Came 5 1 x 35 common panel amited has to collect advance tax (a 10% of the auction price Tk, 100,000 from the auction purchaser. Mr. Fazal before delivering the possession of the car. The advance tax amount under section (33 from such amount is, therefore, Tk, 100,000,

Authority has an declared TDS or 20% of the lottery winning amount to Mr. Mahbub, National Heart Foundation Authority has an declared TDS or 20% of the lottery winning amount Tk. 30,00,000. The tax deductible at watere such section. If fiver such semining amount is, therefore, Tk. 6,00,000.

SPC 12.5

TOS IMPLICATIONS

to the TEX implications in the cases mentioned hereunder

- actor Mr. 4.5. Havat and Tk. 80 000 to actress Ms. Bidya Sinha Mim for their performance or a telefilm produced by Impress.
- The 500 096 and The 100 000 respectively for one year in the Mirpur Branch of Prime Band Lamaced at 10% interest. The account has been matured on
- Document from Total Mr. Sabbir and Mrs. Sabbir have opened post office saving here a account, at Dhaka GPO. On 30th June, 2024, the interest amount of other laws savings are of 1k, 10,000 and Tk, 3,000, respectively.
- Case 4 Commencedame Einsted has paid Tk. 10,00,000 and Tk. 500,000 against advertising Pairs L. Channel Land the Daily Star on January 01, 2024.
- Care 5 Shanta Hottong Lamned has signed a contract with Mr. Sazzad, the owner of a 10 tanha plat in Dhanmondi R.A. to construct a 10 storied building.

Against the power of attorney, Shanta Holding Limited has paid Tk. 1,00,00,000 to Mr. Sazzad as the signing money on May 01, 2024.

Case 6 Mr. Tajul Islam (Resident). Mr. Javed Ali (Non-Resident Bangladeshi) and Mr. Chris Gayle (Non-Resident Foreigner) owns 100,000; 30,000; 20,000 and 10,000 shares of Beximco Pharmaceuticals Limited (BCL), respectively. On January, 2024 BCt, has declared Tk 2 cash dividend per share for the year 2023. The dividend has been credited to the concerned bank accounts on March 15, 2024. The shareholders have furnished 12-digit TIN to their banks.

Tax Implications of the cases are

Case J. U s 93, Impress Telefilm Limited has to deduct tax at source @ 10% of the amount Tk. 100,000 and Tk. 80,000 before paying to Mr. Abul Hayat and Ms. Bidya Sinha Mim respectively. The tax deductible at source under section 03 from such payments are, therefore, Tk. 10,000 and Tk. 8,000 respectively.

Case 2: U/s 102, Prime Bank Limite I will deduct tax at source @ 10% on the interest amount of Mr. Salam's deposit of Tk. 500,000. The tax deductible at source under section 102 from such amount is, therefore, $[(Tk. 500,000 \times 10\%) \times 10\%]$ Tk. 5,000. In the similar manner, from Mrs. Salam, 10% TDS is applicable on the interest amount of her deposit of Tk. 100,000. The tax deductible at source under section 102 from such amount is, therefore, $[(Tk. 100,000 \times 10\%) \times 10\%]$ Tk. 1,000.

Case 3: U's 102, Dhaka GPO will deduct tax at source @ 10% on the interest amount credited to both Mr. and Mrs. Sabbir's accounts. On 30th June, 2024, the interest amount credited on their accounts are of Tk. 10,000 and Tk. 3,000, respectively. So, the tax deductible at source under section 102 from such amounts are, therefore, Tk. 1,000 and Tk. 300, respectively.

Case 4: U/s 92, Grameenphone Limited has to deduct tax at source @ 5% of the amount paid against advertising bill Tk. 10,00,000 and Tk. 5,00,000 to Channel I and the Daily Star. So, the tax deductible at source under section 92 from such amounts are, therefore, Tk. 50,000 and Tk. 25,000, respectively.

Case 5: U/s 115, before paying the signing money amount to Mr. Sazzad, Shanta Holding Limited has to deduct tax at source @ 15% of the signing money amount Tk. 1,00,00,000. The tax deductible at source under section 115 from such signing money amount is, therefore, Tk. 15,00,000.

Case 6: U/s 117, before paying the dividend amount of Tk. 200,000 to Beximco Communications Limited, Beximco Pharmaceuticals Limited has to deduct tax at source @ 20%. So, the TDS under section117 from this dividend amount is, therefore, Tk. 40,000.

On the other hand, TDS rate is 10% for a resident or non-resident Bangladeshi recipient, having 12-digit TIN. So, the TDS on the dividend for Tk. 60,000 to Mr. Tajul Islam (Resident) and Tk. 40,000 to Mr. Javed Ali (Non-Resident Bangladeshi) will be Tk. 6,000 and Tk. 4,000 respectively. But U/s 119, Mr. Javed Ali (Non-Resident Bangladeshi) will be Tk. 6,000 and Tk. 4,000 respectively. But U/s 119, TDS rate is 30% for the dividend amount Tk. 20,000 of Mr. Chris Gayle (Non-Resident Foreigner). The TDS rate is 30% for the dividend amount Tk. 20,000 of Mr. Chris Gayle (Non-Resident Foreigner). The tax deductible at source under section 119 from such dividend amount is, therefore, Tk. 6,000.

KEY POINTS

	therity is required to deduct tax at source
	In some specific areas, the paying authority is required to deduct tax at source before the income reaches to the assessee and hence the tax deducting
	before the income reaches to the government.
	authority is working as an agent of the government. TDS is an advance payment of tax in terms of the assessee who will deduct
	this amount from his total tax liability at the year-end,
	16 al a semilar on faile to dedict tax from the
	payment, he cannot charge it as allowable deduction.
	payment, he cannot charge it as a surrest income from post office savings
	deposit.
	The Director General, Bureau of Manpower, Employment and Training shall
	collect from the concerned exporter as advance tax on income on account of
	manpower export at the rate of 10% of the service charge or fees.
	Tax is collected at the rate of 15% from any sum paid by Real Estate
_	Developer to Land Owner.
	For resident individual assessee TDS rate is 10% on dividend if he has TIN.
	The person responsible for paying any amount on account of winnings of
	lottery shall, at the time of making such payment, deduct tax @ 20%.
	If a person fails to deduct taxes at sources who is empowered to do so or if he
	fails to deposit the deducted amount to the exchequer within the prescribed
	time, he would be treated as an assessee in default and would be personally
_	liable for the non-payment.
_	The deducting authority shall deposit the tax deducted at source as per the
	provision of Rule 8.

MULTIPLE CHOICE QUESTIONS

1.	What is the rate of TD	S at the time of Trade 1	icense Renewal in a Po	urasava?			
	(a) Tk. 3,000	(b) Tk. 2,000	(c) Tk. 1,000	(d) Tk. 500			
2.	When the tax deductir	ig authority is required	to deposit the sum dedu	acted as TDS into the nation			
	exchequer in case of deduction or collection made in the month of September?						
	(a) Within 3 weeks		(b) Within 1 mont				
	(c) Within 2 weeks		(d) In 4 equal insta	allment			

3. What is the advance tax amount for a Double Decker Bus?

(a) Nil (b) Tk. 11,500 (c) Tk. 16,000

(d) Tk. 24.000 4. If the insurance commission amounts to taka 60,000, how much will be deducted as tax at source?

(b) Tk. 1.500 (c) Tk. 1,800 (d) Tk. 3,000 5. What is the amount of tax for a brick manufacturer having 130,000 cubic feet brickfield?

(a) Nil (b) Tk. 80,000 (c) Tk. 220,000 (d) Tk. 160,000 6. What is the rate of TDS for interest on security?

(b) 10%

(c) 15% (d) 20%

Which of the following source of income does not qualify for TDS?

(a) Income from Salary

(b) Income form Interest on Security

(c) Income from House Property (d) Income from Agriculture

What is the rate of TDS for export cash subsidy?

(a) 5% (c) 15%

(b) 10% (d) 20%

What is the rate of TDS for any payment made to a contractor for Tk. 25,00,000?

(a) Nil (c) 4% (b) 3% (d) 5%

10. What is the rate of TDS for house property?

(a) Nil

(b) 2.50%

(c) 4%

(d) 5%

11. What is the consequence of failure to deduct tax or failure to deposit the money to the government treasury within the specified time?

(a) No consequences

(b) Payment of due tax

(c) Payment of due tax with a penalty of 2% interest for the period in default

(d) Giving penalty of 2% only

TRUE (T) OR FALSE (F) IDENTIFICATION

	For advisory or consultancy service where base amount does not exceed Tk. 25 lakh, the rate of TDS is 10%.	ПΤ	□F
	For manufacture of cigarettes TDS rate is 6% of banderols value.	ПΤ	□F
2. 3.	The deduction from shipping business U/s 132 shall be treated as minimum tax	ПΤ	□F
	liability. The is not applicable on the remuneration of actors/actresses less than Tk.10,000.	ПΤ	□F

TDS is not applicable on 5. No TDS is applicable on prize money of a lottery.

ПΤ	□F
ПΤ	□F

DISCUSSION QUESTIONS (DQ)

DQ12.1 What do you mean by tax deducted at source (TDS)? Is there any difference between tax deducted at source (TDS) and withholding tax (WT)?

DQ12.2 "TDS is no good for both the government and the assessee" - do you agree? Explain.

DQ12.3 What are the provisions applicable for TDS on Salary U/s 86?

DQ12.4 What are the consequences of failure to deduct tax or failure to deposit tax timely?

DQ12.5 Who is required to issue certificate of deduction and when?

DQ12.6 Who is required to deposit the amount of tax collected at source to the government treasury?

DQ12.7 What do you understand by minimum tax liability? Discuss in the light of section 163 of I.T.

DQ12.8 Write short note on: ☐ Income subject to TDS ☐ Section 89 and Rule 3 ☐ TDS on transfer of property

Minimum tax liability

☐ Basic salary- Tk. 30000 p. m.

☐ Dearness allowance – 15% of basic salary.

☐ Bonus – 2 month's basic salary.

☐ House rent allowance –Tk. 18000 p.m.

☐ Medical expense reimbursed – Tk. 18000 for the year.

☐ Employer's contribution to recognized provident fund — 10% of basic salary (own subscription is also same).

Also assume that he will not claim any credit for investment. Compute the average tax rate for Mr. X to deduct tax at sources from his salary income.

PC12.2: Assume that XYZ Co. Ltd. have had the following payments to its single supplier for supply of goods. Compute the amount of TDS in the respective income vears.

-	• • • • • • • • • • • • • • • • • • • •		T1 100
	First installment	on 1st July, 2023	Tk. 100,000
	Second installment	on 1st October, 2023	Tk. 400,000
	Third installment	on 1st January, 2024	Tk. 500,000
	Fourth installment	on 1st April, 2024	Tk. 700,000
	Fifth installment	on 1st July, 2024	Tk. 300,000
	Final installment	on 1st October, 2024	Tk. 700,000

PC12.3: Trade International Limited is engaged in trading business of consumable goods. During the income year ended on June 30, 2024, the company procured goods for commercial purposes from both home and abroad:

On July 2023:

purchased (home) Tk. 2,000,000 and imported at C & F value C\$500,000.

On October 2023:

purchased (home) Tk. 3,000,000 and imported at C & F value C\$400,000.

Rate of exchange on July and October was C\$1 = Tk. 68 and C\$1 = Tk. 70 respectively. Assume that import duty @ 20% and supplementary duty @ 40% was paid at import stage. VAT and advance income tax (AIT) were also imposed at applicable rates at import stage. Custom's assessed value for goods imported in July 2023 and October 2023 was C\$ 600,000 and C\$ 500,000 respectively.

All the imported goods were sold to one special customer. But goods purchased locally were sold to five different customers - A, B, C, D and E as follows:

Chapter - 12 Deduction of Taxes

	A	В	С	D	E
July 10, 2023	200,000	150,000	300,000	80,000	45,00,000
October 24, 2023	400,000	400,000	300,000	700,000	500,000
November 28, 2023	500,000	500,000	400,000	400,000	400,000
Total	1,100,000	1,050,000	1,000,000	1,180,000	54,00,000

From the above you are required to -

- ☐ Calculate advance income tax (AIT), supplementary duty (SD) and value added tax (VAT) suffered by Trade International Limited at import stage.
- ☐ Calculate advance income tax deducted at source by each customer.

ANSWERS

1	MULTIPLE CHOICE QUESTIONS									TRU	JE/FA	ALSE			
•	1	2	3	4	5	6	7	8	9	10	1	2	3	4	5
•	d .	С	С	d	d	a	d	b	d	С	T	F	T	F	F

SELF - REVIEW 12.1

- ☐ TDS is the abbreviation of Tax Deducted at Sources that means at the time of payment of any money by one assessee to another, the paying authority will act as an agent of the government and deduct tax at the rates as specified to deposit the same to the government.
- ☐ The paying authority will deduct tax from the assessee to whom such income will be flowed and will be taxable in his hand.
- ☐ It is advantageous to both the government and the assessee.

SELE_REVIEW 12.2

· ·		and the same of th
	Salary	: Average rate
	Interest on securities	: 5%
	Clearing and forwarding agents	: 10%
	Commission to Foreign buyer's agent	: 15%
	Sale of goods or property by public auction	: 10%
	Sale of goods of property of pastie and the	

13

Advance Income Tax

"What the government gives it must first take away."

— John S. Coleman

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

CLO 13.1 understand the concept of advance income tax

CLO 13.2 compute advance income tax

CLO 13.3 clarify the payment process of advance income tax

CLO 13.4 explain the consequence of advance income tax payment,

CLO 13.5 determine the effects of failure to pay advance income tax

CLO 13.6 explain payment of tax on the basis of return

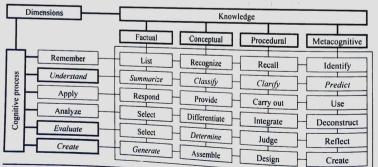
CLO 13.7 generate advance income tax matrix

KEY TERMS

Advance Income Tax, Old taxpayer, New taxpayer, Installment, Own Estimate Excess/Deficit, Interest, Credit of Advance Tax, Return, PAYE

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and three levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



13.1 INTRODUCTION

CLO 13.1 Income Tax discipline lies on the basic principle that tax will be paid on income. So, it is customary that as an assessee, I have to earn first and only then I will be eligible to pay tax. So, income (difference between revenue and expenses) of an income year is assessed in the assessment year to calculate the taxable income on which tax is supposed to be paid. And that's why government needs to wait at least a year for taxing people. But, in almost every country of the world, law provides payment of tax within the year in installments. In taxation classic it is known as "PAYE" (pay as you earn). Otherwise, government may face problems to continue its fiscal mechanism.

On the other hand, assessees will also face problems to pay huge amount of tax at a time after spending all his income. Because, once income generates to the hand of the assessees, it becomes disposable, and government has no mechanism to motivate the people to save for the government. Thus, due to advance payment of tax, government realizes time value of money and assessee realizes flexibility. The benefits of AIT are mostly covered in the chapter "Tax Deducted at Sources." For the deducting authority, it is tax collected or deducted at source, but for the assessee, from whose income such tax is deducted, it is advance payment of tax. Sections 152 to 162 of Income Tax Act 2023 deal with advance payment of taxes.

13.2

13.1

WHO IS LIABLE TO PAY ADVANCE TAX?

Both old and new taxpayers may be liable to pay advance tax upon the fulfillment of the following conditions:

For old taxpayer (Section 154): If the total income of the assessee for the latest income year exceeds taka 600,000, he must pay taxes as advance during current year based on his current income, and it will be treated as 'Advance Tax'.

Explanation: Latest assessed income needs more clarification. Let us assume that Mr. X wants to determine the latest assessed income as a base of advance tax for the assessment year 2024-25. His study of various assessment done on previous years reveal that income of 2023-24 is not assessed yet, income of 2022-23 has been assessed on 31st March 2024 and income of 2021-22 has been reassessed on 28 May 2024 due to appeal. In such a case, latest assessed income for Mr. X will be that of the income year 2021-22 for calculating advance tax.

However, no requirement of this section will be applicable if

- ☐ He earns not more than taka 800,000 from 'income from agriculture' only;
- ☐ His total income includes
 - income from capital gain, or
 - any income of one time in nature which is subject to advance tax during current income year, but it is not expected to be collectible during the year.

For new taxpayer (Section 156): Subject to the conditions of Sec 154(2), 15 the income of any person is not regularly assessed before, he needs to submit calculations

1

of his budgeted income and advance taxes thereon with the DCT within June 15 of of his budgeted income and advance taxes 600,000 during income year followed by every year if his total income exceeds take 600,000 during income year followed by every year if his total income exceeds that the exceeds the installment within the assessment year. At the same time, he is required to deposit the installment within the dates as specified.

13.3 CLO

13.2

COMPUTATION OF ADVANCE TAX

- ☐ For old taxpayer: The person who has been assessed earlier and now eligible for advance tax as per the provisions has two options in computing advance tax.
 - As per the latest assessed income [Sec. 155(1)]: His minimum amount of advance tax will be equal to tax paid on the income assessed for the latest income year reduced by the amount of tax required to be deducted or collected at source, or advance tax paid under Part 7.
 - As per the estimated income for the year [Sec. 155(5)]: As the current year's income may not be equal to that of latest assessed income, the assessee may, at any time before the last installment is due, after giving to the Deputy Commissioner of Taxes an estimate of the tax payable by him. pay such estimated amount of advance tax, as reduced by the amount, if any already paid, in equal installments on the due dates of payment.
- ☐ For new taxpayer: Computation of advance tax payable in case of new taxpayers is based on the estimated total income applied at regular rates as reduced by the amount of tax-required to be deducted or collected at source. But such taxpavers shall before the 15th day of June in each financial year, send to the DCT an estimate of his total income and advance tax payable by him.

13.4

13.3

PAYMENT OF THE INSTALLMENTS OF ADVANCE TAX

Advance tax shall be payable in four equal instalments (each for 25% of the payable amount) on the fifteenth day of September, December, March, and June of the financial year for which the tax is payable.:

Dates	15 September 15 December	15 March	15 June
Amount	25% 25%	25%	25%

If any taxpayer fails to pay any installment of part thereof, without affecting the liability of taxpayers mentioned in any other section of ITA 2023, he will pay the next installment of the tax including the amount of unpaid or partially paid installment.



- What is the condition for an old taxpayer to be eligible for payment of advance
- What is the condition for a new taxpayer to be eligible for payment of advance

CLO Di

13.4

CONSEQUENCES OF EXCESS/DEFICIENCY IN PAYMENT

Any sum, other than a penalty or interest, paid by or recovered from an assessee as advance tax, shall be treated as a payment of tax in respect of the income of the period, which would be the income year and shall be given credit for in the assessment of tax payable by the assessee. But, if the payment made is more or less than the actual amount, a question of interest arises from both sides as follows:

- ☐ Interest payable by government: If the amount of advance tax paid is more than the amount of tax payable as determined on regular assessment, the Government shall pay simple interest at 10% per annum on such excess payment. Interest will be paid for the period from 1st July of the year of assessment to the date of regular assessment in respect of the income of that year or a period of two years from the said 1st July, whichever is shorter (Sec. 161). Government will only pay interest on such amount if such excess generates for the payment of advance tax based on latest assessed income and not based on the assessee's own estimate.
- Interest payable by the assessee: Where, in any financial year, an assessee has paid advance tax based on his own estimate and the advance tax so paid together with the tax deducted at source, if any, is less than 75% of the amount of tax payable by him as determined on regular assessment, the assessee shall pay, in addition to the balance of tax payable by him, simple interest at 10% per annum on the amount by which the tax so paid and deducted falls short of the 75% of the assessed tax. Provided that the rate of interest shall be 50% higher if the return is not filed on or before the Tax Day. The period for calculation of simple interest shall be the period from the 1st July of the year in which the advance tax was paid to the date of regular assessment in respect of the income of that year or a period of two years from the said 1st July, whichever is shorter [Section 162(1) and (2)].

EXHIBIT

13.1

Illustrating Advance Income Tax Computation

The latest assessed income of Mr. X amounts to taka 650,000 (for the income year 2022-23), which is considered as a base of payment of advance tax in the assessment year 2023-24. Meanwhile, the assessment for the income year 2023-24 has been completed on 10th March 2024 and the taxable income for the year amounts to taka 800,000. Now, what should Mr. X do with regard to advance tax? Consider, applicable income tax rate is 20%.

Based on latest assessed income, total advance tax will be Tk. 130,000 (20% of Tk. 650,000). Thus, he has to pay Tk. 32,500 (Tk. 130,000/4) in each installment. Before 10th March, he has already paid Tk. 65,000 in two installments: on 15th September and on 15th December. As on 10th March, the assessment for the income year 2023-24 has been completed, the very definition of latest assessed income changes. Now, Mr. X has to reassess his advance tax liability as per the new assessment and he has to pay the remaining in two equal installments.

Tk. 160,000 Total advance tax payable on newly assessed income (20% on 800,000) Remaining advance tax to be paid (Tk. 160,000 - Advance tax already paid Tk. 65,000) Tk. 95.000 Tk. 47,500 Advance tax to be paid in each installment (taka 95,000/2)

Note: Mr. X needs to revise the amount of advance tax payable based on the newly assessed income as assessment was completed before 15th May and divided into two installments as still two installments were left.

Notwithstanding anything contained in Section 162(1) & 162(2), where-□ tax is paid under section 173 (on the basis of return), or tax is paid under section 173 (of the data provisional assessment made u/s 185 but regular assessment has not been made.

The simple interest shall be calculated in accordance with the following provisions.

☐ up to the date on which tax u/s 173 or as provisionally assessed, was paid;

up to the date on which tax up to the amount by which the thereafter, such simple interest shall be calculated on the amount by which the tax as so paid falls short of the said 75% of the assessed tax.

But, if the interest amount is reduced because of appeal, revision or reference, the excess interest paid, if any, shall be refunded together with the amount of tax that is refundable [Sec 162(4)].

EXHIBIT

13.2

Cases of Advance Income Tax Payment

Case 1: Mr. X calculated advance tax for the income year 2023-24 as per the latest assessed income of taka 800,000. Regular assessment for the assessment year 2024-25 was completed on June 30, 2025, and income assessed amounts to taka 500,000. Assume applicable tax rate is 20%. Calculate interest payable by the government on excess amount.

Calculation of excess advance tax paid: Amount of advance tax paid based on latest assessed income (20% of taka 800,000) Tk. 160,000 Advance tax as per regular assessment (20% of taka 500,000) Tk. 100,000 Excess of advance tax paid Tk. 60.000 Interest payable by the government (10% on taka 60,000) Tk. 6,000

Note: Interest will be paid for 1 year from 1st July 2023 to the date of regular assessment of 30th June 2024.

Case 2: For the assessment year 2024-25, a certain assessee has latest assessed income of taka 1,000,000. But he wants to pay advance tax for the year based on his own estimates that amounts to taka 800,000. Regular tax

During the year, tax deducted at source was taka 50,000. Regular assessment for the assessment year 2024-25 was completed on February 28, 2024, resulting taka 1,200,000 profit including profit of taka 80,000 from capital gain and taka 220,000 from agricultural income. Amount of excess or shortfall will be: Income eligible to apply advance tax as per regular assessment is taka 900,000 (Tk. 1,200,000 - Tk. 80,000 - Tk. 220,000), excluding capital gain and agricultural income.

Tk. 270,0 Tk. 320,0 Tk. resulting from 75% test.	
Th 2200	
Tk. 270.0	
	200
Tk. 40,0	
Tk. 360,0 50,000 270,000 Tk. 320.0	411
	50,000 <u>270,000</u> Tk. 320, Tk. 40,0

13.6

CLO

13.5

CONSEQUENCES OF FAILURE TO PAY ADVANCE TAX

Where, an assessee who is required to pay advance tax fails to pay any installment of such tax on the due date, he shall be deemed to be an assessee in default in respect of such installment (U/s - 157). Where, it is found that advance tax has not been paid accordingly, there shall be added to the tax as determined on the basis of regular assessment, simple interest thereon calculated at the rate of 10% and for the period from the 1st July of the year in which the advance tax was paid to the date of regular assessment in respect of the income of that year or a period of two years from the said 1st July, whichever is shorter (U/s 160).

13.7

CLO

13.4

CREDIT OF ADVANCE TAX

Any sum, other than a penalty or interest, paid by or recovered from an assessee as advance tax, shall be treated as a payment of tax in respect of the income of the period which would be the income year for an assessment for the year next following the year in which it was payable and shall be given credit for in the assessment of tax payable by the assessee. (U/s 158).

13.8 CLO

13.4

ADVANCE TAX ON CERTAIN INCOME

A manufacturer of cigarette shall pay advance tax at the rate of three percent (3%) on net sale price in every month. Such advance tax paid shall be adjustable against the quarterly installments of advance tax payable under section 155. In this section, "net sale" shall be A-B, where, A is the gross sale and B is the value added tax and the supplementary duty, if any, on such gross sale (U/s 152).

CLO

13.4

ADVANCE TAX FOR THE OWNERS OF PVT. MOTOR CAR

Every person owning a private motor car shall be deemed to have an income by which the motor car is maintained and shall pay advance income tax to be collected based on the following rates at the time of registration or renewal of fitness;

	Motorcar or Jeep				Minn		
Engine	Up to	1,501 -	2,001 -	2,501 -	3,001 -	Above	Micro- -bus
Capacity (cc)	1,500	2,000	2,500	3,000	3,500	3,500	-ous
Tax (Tk.)	25,000	50,000	75,000	125,000	150,000	200,000	30,000

Here, 1500cc = 75kw, 2000cc = 100kw, and so on (each 500cc = 25kw)

But for having more than one Motorcar/Jeep/Microbus under the single or joint ownership, in addition to above regular amount excess 50% income tax will be applied for second and onwards vehicle. In case of registration or fitness renewal of motor car for more than one-year, advance tax under sub-section 153(2) shall be

The second secon

collected on or before 30th June in every subsequent year or years following the year collected on or before sorn suite the collected on or before sorn suite year in which registration or fitness renewal of motor car has been done. Where any person in which registration or titness relieval of advance tax payable shall be calculated fails to pay such advance tax, the amount of advance tax payable shall be calculated following the below formula:

A + B

where -

the amount of advance tax not paid in the previous year or years; and

the amount of advance tax payable under sub-section (2) for the year in

which an assessee is making the payment.

This provision will not be applicable for vehicles owned by:

☐ the government and the local government;

a project, programme or activity under the government and the local government:

a foreign diplomat, a diplomatic mission in Bangladesh, United Nations and its

☐ a development partner of Bangladesh and its affiliated office or offices:

an educational institution under the Monthly Payment Order of the Government

☐ a public university;

a gazetted war-wounded freedom fighter; or

an institution that has obtained a certificate from the Board that advance tax shall not be collected from it.

Where a person pays such advance tax, and the income from regular sources of the person results in a tax liability less than the said income tax, the income of such person shall be deemed to be the amount that results a tax liability equal to the said advance tax. The advance tax paid under this section shall not be refundable [U/s 153(6,7)1.

DELAY INTEREST (U/S - 174)

13.7

Si

Where an assessee is required to file a return of income for an assessment year under section 166 and fails to file the same before the expiry of the Tax Day, the assessee shall, without prejudice to any other consequences to which he may be liable to, determine and pay as per the formula below:

$$A = B + (B - C) \times D \times 0.02$$

Where

A: Total amount of tax payable

B: The total amount of tax the taxpayer would have paid if he had filed the return within the Tax Day, provided that -

the tax exempted income shall be included in the total income and shall be

shall not include any penalty or tax imposed or levied under this Act other than minimum tax, surcharge and simple interest,

Chapter - 13 Advance Income Tax

C: Aggregate of advance tax and tax at source paid by the taxpayer in the said income year.

D: Number of months determined as below,

number of months after the Tax Day has passed which maximum 24 months;

any fraction of the month shall also be counted as 1 month.



(a) In how many installments, AIT is paid?

(b) What are the dates of AIT payment?

(c) What is the base for calculation of AIT?

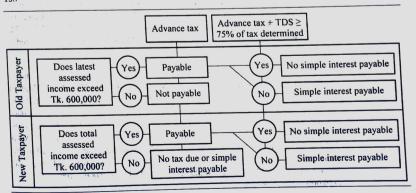
(d) When the base for calculation of AIT is changed?

PAYMENT OF ADVANCE TAX ON THE BASIS OF RETURN

CLO 13.6 Every person who is required to file a return under section 166, 172, 175, 191, 193 or 212 shall, on or before the date on which he files the return, pay the amount of the tax payable by him on the basis of such return, or as per provision of section 163(5), whichever is higher, as reduced by the amount of any tax deducted from his income or paid by him in accordance with Part 7 (Section 173). The amount such paid shall be deemed to have been paid towards the sum as may be determined to be payable by him after regular assessment. But the person who fails to pay such tax on such date without reasonable cause shall be deemed to be an assessee in default.

ADVANCE TAX MATRIX

CLO 13.7 The advance tax matrix is divided into two categories as per the overall discussion: one is for old taxpayer, and another is for new taxpayer.



SOLVED PRACTICAL CASES (SPC)

ME

TAX IMPLICATIONS

Explain tax implications of Mr. Rahman using records of assessment for given years:

	Income years	Date of assessment	Total assessed income
-	2017-18	21st of February 2019	Tk. 600,000
	2017-18	10 th of March 2020	1,500,000
	2019-20	30th of May 2021	1,200,000
	2020-21	15th of February 2022	1,250,000
	2021-22	Not yet assessed	N/A

Mr. Rahman, due to the changes of nature of income, wants to pay advance tax based on his own estimate in lieu of latest assessed income. According to his own estimate total taxable income amounts to Tk. 1,000,000 including Tk. 100,000 from capital gain. He has no income from agriculture. Assessment for the income year 2023-24 has been completed on 28.02.24 and his actual income amounts to taka 1,800,000 excluding capital gain and agricultural income. For the income year 2023-24, his tax deducted at source was Tk. 100,000 and he has paid further tax of Tk. 150,000 on 31.12.23 under section 173. Applicable tax rate for Mr. Rahman is 40%.

Solution

Here, latest assessed income would be Tk. 1,250,000 (IY 2020-21) if advance tax was based on that. But Mr. Rahman paid advance tax based on his own estimate. So, let us first compute the amount of advance tax paid: Estimated income excluding capital gain Tk. 900,000; Amount of advance tax payable (40% of Tk. 900,000) Tk. 360,000; Advance Income Tax to be paid per installment (Tk. 360,000 ÷ 4) Tk. 90,000; Advance tax paid by Mr. Rahman on the date of assessment Tk. 180,000 (Because only two installments are made on 15th September and 15th December respectively).

Let us calculate the amount of shortfall/deficit: Tax liability as per regular assessment (40% of Tk. 1,800,000) Tk. 720,000; Tax paid (TDS Tk. 100,000 + Advance Tk. 180,000) Tk. 280,000; Shortfall/deficit Tk. 440,000. As tax paid u/s 173 is Tk. 150,000, Remaining Liability will Tk. 290,000. So, Mr. Rahman would be required to pay Tk. 290,000 as additional tax.

Now let us use 75% test to decide whether he would be charged interest on the shortfall or not: 75% of tax liability as per regular assessment (75% of Tk. 720,000) Tk. 540,000 and actual tax paid is Tk. 280,000, so, Revised Shortfall/Deficit Tk. 260,000. As tax paid u/s 173 is Tk. 150,000, remaining Liability will be Tk. 110,000. So, Mr. Rahman would be charged interest as per the 75% test for the following time period: On Tk. 110,000; interest will be charged @ 10% for a period from 1st April 2024 to 28th February 2025 whereas on Tk. 150,000; interest will be charged at the same rate but for a period from 1st April 2024 to 31st December 2024. So, total interest payable by Mr. Rahman would be Tk. 21,333.33 [(110,000 × 10% × 11/12) +

Thus, total amount due by Mr. Rahman to the government amounts to Tk. 303,083.33 (290,000 + 13,083.33).



INTEREST ON EXCESS TAX PAID

Mr. Jalil computed his advance tax for the income year 2023 - 2024 based on latest regular assessment of Tk. 1,200,000 total income including Tk. 50,000 capital gain and Tk. 150,000 agricultural income. He has paid advance tax accordingly @ 25%. Regular assessment for assessment year 2024 - 2025 was completed on August 31, 2024, and total income assessed was Tk. 1,000,000 where the amount of capital gain and agricultural income were Tk. 75,000 and Tk. 125,000 respectively. Assume, tax rate applicable is 25%. Show the relevant calculations for advance tax.

Solution

Latest assessed income in this case is Tk. 1,000,000 and advance tax was paid based on that. So, let us first compute the amount of advance tax paid.

Estimated income excluding capital gain and agricultural income	Tk. 800,000
Estimated income excluding capital gain and agricultural	Tk. 200,000
Amount of advance tax payable (25% of taka 800,000)	Tk. 250,000
Advance income tax paid (25% of taka 1,000,000)	Tk. 50,000
Excess amount of tax paid by Mr. Jalil	1 K. 30,000

This excess amount of Tk. 50,000 may either be adjusted with the tax liability of the next assessment year or be refunded to him at his option in writing including interest. Mr. Jalil is eligible to receive interest on this excess amount:

Time duration and interest calculation: 2 years and 2 months [1st July of the assessment year 2021-22 to the date of regular assessment i.e., 1st July 2022 to August 31, 2023] As per Section 72, 10% interest will be allowed on the excess amount of tax paid i.e., Tk. 50,000 for maximum two years. So, the amount of interest will be [Tk. $50,000 \times 10\% \times 2$] = Tk. 10,000.



DELAY INTEREST

Mr. Khalilur Rahman is a businessman. During 2023-24 income year, he earned taxable income of Tk. 20,00,000 from regular business, Tk. 15,00,000 from poultry firm, and Tk. 25,00,000 from export business. During the year, he invested Tk. 5,00,000 in savings certificate and Tk. 10,00,000 in stocks of listed companies. During the income year, he paid Tk. 25,000 as advance tax during renewal of fitness of motor car and Tk. 25,000 as TDS against export income. The National Board of Revenue haven't extended the time of submission of return. Mr. Rahman has submitted the income tax return for the year on 30th March 2025 after the expiry of tax day. Calculate the tax liability of Mr. Rahman under Finance Act 2024.

Solution

Under section 174, if a regular taxpayer fails to submit return within tax day, his tax liability and payable will be calculated by following the equation below:

$$A = B + (B \rightarrow C) \times D \times 0.02$$

Where.

- B: The total amount of tax payable B: The total amount of tax the taxpayer would have paid if he had filed the return within the Tax Day, provided that -
 - the tax exempted income shall be included in the total income and shall be
 - shall not include any penalty or tax imposed or levied under this Act other taxed at the regular rate; and
- than minimum tax, surcharge, and simple interest, C: Aggregate of advance tax and tax at source paid by the taxpayer in the said
- income year. D: Number of months determined as below,
 - number of months after the Tax Day has passed which maximum 24 months.
 - any fraction of the month shall also be counted as 1 month.

Taxable Income

Income	Amount
Income from business (including export business)	Tk. 45,00,000
Income from agriculture	15,00,000
Total Taxable Income	Tk. 60,00,000

Gross Tax Liability on Taxable Income

Gross The Linding on Theathe Income			
On first Tk. 350,000	@ 0%	Tk.	0
On next Tk. 100,000	@ 5%		5,000
On next Tk. 400,000	@ 10%		40,000
On next Tk. 500,000	@ 15%		75,000
On next Tk. 500,000	@ 20%		100,000
On next Tk. 4,150,000	@ 25%	1	,037,500
Total		Tk. 1.	,257,500

- = Tk. 12.57.500
- C = Tk. 50,000 (AIT Tk. 25,000 + TDS Tk. 25,000)
- = 4 Months (From December 2024 to March 2025)
 - $= 12,57,500 + (12,57,500 50,000) \times 4 \times 0.02 = 13,54,100$

Thus, tax payable for Mr. Rahman for 2023-34 income year will be Tk. 13,54,100



OWN ESTIMATE IN ADVANCE TAX

Compute the advance tax (AIT) payable by Mr. Hasan from the following estimated income submitted for the assessment year 2024-25 assuming that he was not previously assessed by way of regular assessment: Income from salary Tk. 320,000; Income from Financial Assets Tk. 50,000; Income from rent Tk. 150,000; Agricultural income Tk. 40,000; Income from business Tk. 70,000; Capital gain Tk. $60,\!000$ and Income from other sources Tk. 130,000. The amount of estimated TDS is Tk. 15,000. What are the consequences of using own estimate in advance tax

Solution

Total income is Tk. \$20,000

Calculation of Tax liability: On first Tk. 350,000 @ 0% [Tk. 0] + on next Tk. 100,000 @ 5% [Tk. 5,000] + on remaining Tk. 370,000 @ 10% [Tk. 37,000]. Gross tax is Tk. 42,000 less estimated TDS Tk. 15,000 = Total AIT payable Tk. 27,000. This Tk. 27,000 will be paid on a quarterly basis in equal installments @ Tk. 6,750 on 15th September 2023; 15th December 2023; 15th March 2024 and 15th June 2024 respectively.

As we know, in advance tax payment the assessee has two options; pay advance tax based on the latest assessment and if the tax paid falls short of required amount of advance tax payable, he would not be charged for shortfall. But in the case of shortfall of advance tax paid based on own estimate, he would be charged interest at specified rate i.e., @ 10%.

KEY POINTS

Advance tax is payable by an old assessee on the basis of latest provisional or
regular assessment but not under S. 212 (income escaping assessment). Income
last assessed must be at least Tk. 600,000.

- Advance tax is based on taxation classic known as "PAYE" (pay as you earn).
- ☐ If the total income of the new assessee exceeds Tk. 600,000 he/she is suppose to pay advance income tax.
- ☐ Computation of advance tax payable in case of new tax payers is based on the estimated total income applied at regular rates as reduced by the amount of tax required to be deducted or collected at source
- ☐ AIT shall be payable in four equal installments on the 15th day of September, December, March, and June of the financial year for which the tax is Payable.
- If the amount of advance tax paid is in excess of the amount of tax payable as determined on regular assessment, the Government shall pay simple interest at 10% per annum on such excess payment.
- ☐ If an assessee has paid advance tax but paid (including TDS) less than 75% of the amount of tax payable by him as determined on regular assessment the assessee shall pay simple interest at 10% per annum on the amount by which the tax so paid and deducted falls short of the 75% of the assessed tax.
- If an assessee fails to pay any installment of advance tax on the due date, he shall be deemed to be an assessee in default in respect of such installment.
- ☐ Where, it is found that advance tax has not been paid accordingly simple interest @ 10% will be added with tax liability for the period from the 1st July of the year in which the AIT was paid to the date of regular assessment in respect of the income of that year or a period of two years from the said 1st July, whichever is
- ☐ Every person required to file a return on regular basis shall pay advance tax.

MULTIPLE CHOICE QUESTIONS

a la	OF LIBER CHOICE MOTO	-m exclude
1	To determine newance has linest assessed meeting	may exclude (b) Interest on Securities (c) Interest on Securities
	(a) Income from Salary	(d) Agricultural Income
	(c) Income from House Property	(d) Agricultural Income (d) Agricultural Income (estimate of income and advance tax payable to
2	When is the new increase required to send his	Cellinare
på.	DCT	(b) On 15th May
	(a) On 15 ¹⁵ June	(b) On 15 May
	(c) Before ** Jame	(d) Before 15th May
	Advance taxes are paid as per the following scho	dule ·
3	(a) 15th day of September December, March, 8	nd June
	(b) 5th day of August, November February, an	d May
	(b) 5th din of August, November (column)	
	(c) 19th day of July October, January, and April	
	1d1 15th day of June October and February	oortfall?
4	When married is parable by the assessee on the s	75% of tax payable on regular assessment.
	(a) When total of AIT and TDS becomes less to	ash of the payable on regular assessment.
	(b) When total of AIT and TDS becomes more	1 - 75% of tax payable on regular assessment.
	(c.) When advance tax already paid becomes less	than 75% of tax payable on regular assessment, ree than 75% of tax payable on regular assessment, rece tax payable is based on -
	(d) Wher advance tax already paid becomes mo	e man 7,50 of the pased on -
4	in case of new sangurer the computation of adva	nice tan p-y-
	(a) intest assessed income	(D) mg per
	14 estimated income	(d) as per assessment
6	What is the manimum amount that must exceed to	pay advance tax for new assessee?
-	(A) Tk 300,000 (b) Tk 600,000	(c) Tk. 150,000 (d) Tk. 225,000
7	Advance tax is paid in how many equal installine	nts?
		(c) 8 (u) 10
g	of the assument finite to may ATT or pay less than 75	% tax liability a simple interest will charge @ -
-		(c) 7.50% (d) 10%
_	(a) Not (b) 5%	bility, government will pay a simple interest @ -
9,		(c) 7.50% (d) 10%
	(a) mi (b) 5%	(6) 13070
10.	'PAYE refers to	(d) None of the shove
	(a) Pay as you eligible (b) Pay as you carn	(c) Pay and you earn (d) None of the above

TRUE (T) OR FALSE (F) IDENTIFICATION

	(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
1	Both old and new taspeyers may be eligible for advance tax.	□ T	□ F
2	TDS in every case is considered as advance payment of tax.	ПΤ	□F
3	If assessment for a jear is completed before 15th of June, it will be considered as latest assessed income	ПΤ	□F
4	If the shortfall originates due to the payment of advance tax as per latest assessed mesone, there will be no innerest	ОΤ	□F
5	If advance tax is paid by an old taxpayer on the basis of estimated income, he will not pay any interest on shortfall	ОТ	□F

DISCUSSION QUESTIONS (DQ)

- pol3.1 What do you mean by advance payment of taxes?
- DO13.2 Due to advance payment of tax, government realizes time value of money and assessee realizes flexibility" - do you agree? Explain.
- no13 3 Everybody who generates income shall pay advance tax" do you agree? Explain.
- pol3.4 How do you compute advance tax for both old and new taxpayers?
- pol3.5 What is the procedure of paying advance tax?
- pQ13.6 What are the consequences of non-payment, excess payment, and deficit payment of AIT?
- po13.7 What do you understand by payment of tax as per return under section 74?
- DQ13.8 Write short note on: □ PAYE □ Advance tax for new tax payer □ Advance tax matrix □ Consequence of failure to pay advance tax

PROBLEM CASES (PC)

PC13.1: The latest assessed income of Mr. Piplu amounts to taka 750,000 (for the income year 2021-72), which is considered as a base of payment of advance tax in the assessment year 2024-25. Meanwhile, the assessment for the income year 2022-23 has been completed in 15th July 2023 and the taxable income for the year amounts to taka 800,000. Now what should Mr. X do with regard to advance tax? Suppose applicable income tax rate is 40%.

PC13.2: Mr. Mia calculated advance tax for the income year 2023-24 as per the latest assessed income of taka 1,000,000. Regular assessment for the assessment year 2024-25 was completed on June 30, 2023 and profit assessed amounts to taka 700,000. Applicable tax rate is 40%. Calculate interest payable by the government on excess amount.

PC13.3: For the assessment year 2024-25, a certain assessee has latest assessed income of taka 1,200,000. But, he wants to pay advance tax for the year on the basis of his own estimates that amounts to taka 1,000,000. Assume, regular tax rate is 40%. During the year, tax deducted at source was taka 90,000. Regular assessment for the assessment year 2024-25 was completed on February 28, 2025 resulting taxable income of taka 1,200,000 excluding income from capital gain and agricultural income. Calculate the amount of excess or shortfall and explain the consequences for the same.

PC13.4: Mrs. Krishna has the following records of assessment for various years. Explain tax implications.

	D f accessment	Total assessed income
Income years	Date of assessment	Taka 1,000,000
2018-19	18th March, 2020	

Bungladesh Income Tax - Theory and Practice

Tax - I neerly with	2021	Taka 1,200,000
2019-20 2020-21 2021-22	25th February, 2021 28th April, 2022 20th May, 2023 Not yet assessed	Taka 900,000 Taka 1,150,000 N/A
2022-23	114.0	

Mrs. Krishna, due to the changes of nature of income, wants to pay advance tax on Mrs. Krishna, due to the changes of interest assessed income. According to her own the basis of her own estimate in lieu of latest assessed income. According to her own the basis of her own estimate in neuron amounts to taka 1,000,000 excluding capital gain and estimate, total taxable income amounts to taka 1,000,000 excluding capital gain and estimate, total taxable income amount for the income year 2022-23 has been completed on agricultural income. Assessment for the income year 2020-23 has been completed on agricultural income. Assessment to the amounts to take 1,900,000 including capital 16th March 2024 and her actual income amounts to take 20,000. For the 16th March 2024 and ner actual income of taka 80,000. For the income year gain of taka 100,000 and agricultural income of taka 80,000 and the box actual income year gain of taka 100,000 and agricultural states 110,000 and she has paid further tax of 2022-23, her tax deducted at source was taka 110,000 and she has paid further tax of 2022-25, ner tax deducted at 350aCs take 120,000 on 31st December 2023 U/s - 173. Applicable tax rate for Mrs. Krishna JUNG is 40%.

ANSWERS

MULTIPLE CHOICE QUESTIONS						TRU	JE/F	ALSE						
MUL	TIPI	LEC	HOR	EV	UESI	7	- 8	9	10	1	2	3	4	5
1	2	3	4		-		_ d	4		T	T	F	T	F
d	С	a	a	c	ь	a	u							

SELF-REVIEW 13.1

- (a) If the latest assessed income of the assessee exceeds taka 600,000; and he has been assessed by way of either regular or provisional (U/s - 185); he is eligible to pay AIT.
- (b) If the total income of the assessee excluding capital gain and agricultural income for the income year of the following assessment year is likely to exceed taka 600,000; he is eligible to pay AIT.

SELF - REVIEW 13.2

- (a) In 4 equal installments.
- (b) 15th day of September, December, March, and June of the financial year for which the tax is Payable.
- (c) Last assessed income
- (d) If before the 15th May of the year, the assessment of the following year has been completed, then the assessee has to re-compute the amount of AIT on the basis of that income and it should be paid equally in each installment(s) left.

Set Off & Carry Forward of Losses

"The government's view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it." — Ronald Reagan

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

CLO 14.1 understand the concept of set off losses

CLO 14.2 understand the concept of carry forward of losses CLO 14.3 apply set off provisions after carry forward of losses

CLO 14.4 explain the conditions of carry forward of losses

CLO 14.5 explain the concept of unabsorbed depreciation

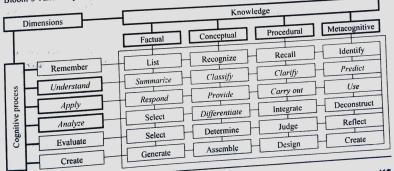
CLO 14.6 differentiate business loss from unabsorbed depreciation

KEY TERMS

Loss, Set Off, Carry Forward, Capital Gain, Unabsorbed depreciation, Association of Persons, Speculation business

Bloom's Taxonomy

This chapter covers (italic) the entire knowledge dimension and three levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



Income

Income tax is charged on the head wise aggregated total income of an assessee. A person could have income in one head and loss in another head. If income tax is to be paid on the income, the pertinent question is, what shall be done if a person has a loss in any of the income source? Income Tax Act affords the person to have benefit in the form of reducing aggregated total income by the amount of loss. However, can the loss from one head be aggregated with the income of any other heads? To what extent it may be adjusted against the income of other heads? and what are the consequences, if it could not be fully adjusted in an income year? The Income Tax Act (ITA), 2023 contains certain provisions (Section 70) regarding the set off and carry forward of such kind of losses in a particular manner.

14.2

14.1

SET OFF OF LOSSES

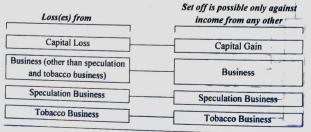
Adjustment of loss(es) from one source with the income from another source(s) is called set off of losses. Section 70(1) of the ITA, 2023, states, where, in respect of any assessment year, the net result of computation of income under any head is a loss, the assessee shall, subject to some provisions of the Act, be entitled to set off the loss against his income, if any, assessable for that assessment year under any other head.

Example: Mr. Anwar has rental income from rent Tk. 315,000 and losses from Agriculture Tk. 45,000. Now to calculate taxable income, losses from agriculture are allowed to adjust with the rental income. So, taxable income for Mr. Anwar will be Tk. 270,000 (i.e., Tk. 315,000 – Tk. 45,000). Adjustment of agricultural losses with rental income is set off of losses.

Set off Conditions

An assessee is entitled to set off the losses of a head against the income under other heads subject to some conditions as listed below:

☐ Loss from the following income heads is only allowed to set off against the income from the same source or head [Section 70(2)].



noome Tay ___28(B)

Chapter - 14 Set Off & Carry Forward of Losses

□ No set off of losses is allowed for any loss computed under any source of head of income which is exempted from tax or is subject to reduced tax rate or is subject to minimum tax u/s 163(2). [Section 70(3)]

In case of loss sustained by a firm or by an Association of Persons (AOP) under any head can be set off only against the income of the firm/AOP under any other head and not against the income of any of the partners of the firm or of the member of the AOP [Section 70(4)]

☐ As per schedule 8 of ITA 2023, a successor-in-Business otherwise than by inheritance cannot against his own income set off any loss incurred by his predecessor in Business [Section 70(6)]

14.3

14.2

CARRY FORWARD OF LOSSES

When losses under a head is not possible to set off wholly against same year's income from same or some other allowable head(s), it is allowed to transfer such unadjusted amount of losses to next year(s) for set off. This transfer of losses to next year is known as carry forward of losses.

Example: Mr. Anwar has income from rent Tk. 315,000 and losses from agriculture Tk. 345,000. To calculate taxable income, losses from the agriculture are allowed to adjust with the rental income. So, taxable income results a loss of Tk. 30,000 (Tk. 315,000 – Tk. 345,000). Mr. Anwar is allowed to transfer such Tk. 30,000 unadjusted loss to next year. In the next year he can set off this Tk. 30,000 loss following the provisions of set off of losses. Here such transfer of loss is known as carry forward of losses.

As per the provisions of the ITA, 2023, the losses that cannot be set off against income from any other source or head of income, such unadjusted losses can be carried forwarded for the subsequent six years [Section 70(5)].

Carry Forward Conditions

An individual assessee is entitled to carry forward losses up to a certain period if such loss(es) is not possible to set off wholly in a particular assessment year. The conditions of carrying forward of losses by an individual assessee are as follows:

☐ Losses generated under any head can be carry forwarded up to a period of six subsequent years [Section 70(5)].

☐ Carry forwarded loss(es) can be set off against income of the subsequent year(s) only by applying the conditions stated for set off of losses in the earlier section, e.g., any carry forwarded loss from business (other than speculation business and tobacco business) and capital gain shall be set off against subsequent year's income generated from the same head. For speculation and tobacco business losses, it shall adjust after carrying forward against the income from the same source.

A successor-in-Business otherwise than by inheritance cannot claim to carry forward the loss incurred by his predecessor-in-Business [Section 70(6)]

EXHIBIT

14.1

Set Off Provisions for Different Income Heads

	Losses under the heads	Set off is possible against income
	Income from Employment	generally, loss is not generated
	Income from Rent	— from any head
•	Agricultural income	from any head
•	Income from business	from the head "Income from Business"; but if the loss is from speculation business, it can only be set off against income of any other speculation businesses. Similarly, if the loss is from tobacco business, it can only be set off against income of any other tobacco businesses.
•	Capital gain	under the head "Capital gain"
•	Income from financial assets	generally, loss is not generated
•	Income from other sources	generally, loss is not generated



Income from employment for Mr. Habib for the year ended 30th June 2024 is Tk. 440,000. In the said year he has a loss of Tk. 25,000 from his fish business. In the last year he also had some loss from fish business and he carried forward Tk. 17,000 to this year. But in the current year his garments business generated a profit of Tk. 40,000. Calculate taxable income for Mr. Habib for the income year ended 30th June, 2024 and also state how much loss he should carry forward to next year.

14.4

14.3

14.4

SPECULATION BUSINESS

According to Section 2(57) of the ITA, 2023 "speculation-business" means business in which a contract for the purchase or sale of any commodity, including stocks and shares, is periodically or ultimately settled otherwise than by the actual delivery or transfer of the commodity, but does not include business in which \leftrightarrow

- a contract of appropriate distribution or supply of raw materials or merchandise is made for the purpose of receiving price assurance at the time of producing raw materials or merchandise that could guard against loss through future price fluctuations
- a contract of stocks and shares is entered into by a dealer or investor therein to guard against loss in his holdings of stocks and share through price fluctuations; and
- a contract is entered into by a member of a forward market or a stock exchange in the course of any transaction in the nature of jobbing or arbitrage to guard against loss which may arise in the ordinary course of his business;

It is to be noted that the investment in any securities and trading of securities in any stock exchange shall not be considered as speculation business,



14.2

Migh Illustrating Business Losses

Case 1: Mr. Peter furnishes his income under different heads for the income years 2022 – 2023 and 2023 – 2024 as: Salary income Tk. 105,000 and 105,000; income from rice business Tk. (125,000) and 170,000; income from tobacco business Tk. 25,000 and (20,000); income from capital gain Tk. 15,000 during the year 2022 – 2023.

In the income year 2022 - 2023, Mr. Peter cannot set off his rice business loss with salary income and capital gain. However, he can set it off against income from (speculation) business and carry forward unadjusted figure to next year to set off only against income from business. On the other hand, in the next year (2023 - 2024), he shall show only Tk. 70,000 income from business after setting off of previous year's loss which was carry forwarded to this year. But if in the year 2023 - 2024 no income from business was reported, he can't set off Tk. 100,000 loss with any income computed under any other heads in this year.

Income from employment	2022 - 2023 Tk. 105,000	2023 - 2024 Tk. 105,000
Income from business:		
Tobacco business	Tk. 25,000	Tk. (20,000)
Carry forward	-	(20,000)
	25,000	•
Rice business	(125,000)	170,000
Carry forward	100,000	
Set off previous loss	<u>-</u>	(100,000)
The same and the same and the same and the		70,000
Income from Capital Gain Total	15,000	Tk. 175.000
Total	Tk. 120,000	1K. 175,000

Case 2: Income of Mr. Peter for the income year 2022 – 2023 and 2023 – 2024 includes: Salary income Tk. 105,000 & Tk. 105,000; income from speculation business Tk. 10,000 & Tk. 70,000. Besides in 2022 – 2023, he had a loss from another speculation business Tk. 30,000 and capital gain Tk. 15,000. In the Income year 2022 – 2023 Mr. peter can set off his speculation business loss only by Tk. 10,000 as he has income from other speculation business. He is allowed to carry forward unadjusted speculation business loss to next year. Thus in 2023 – 2024, he showed only Tk. 50,000 income from speculation business.

A SECTION AND A SECTION ASSESSMENT OF THE SE	2022 - 2023	2023 - 2024
Income from employment	Tk. 105,000	Tk. 105,000
Losses from speculation business I	Tk. (30,000)	Tk -
Income from speculation business II	10,000	70,000
Less: set off previous year's loss		20,000
	Tk. (20,000)	50,000
Carry forward	20,000 -	
Capital gain	15,000	
Total income	Tk. 120,000	Tk. 155,000



Mr. Hannan states his income in 2022 - 2023 and 2023 - 2024 as: Income from employment Tk. 200,000 and Tk. 200,000; losses from speculation business - 1 Tk. 35,000 and 15,000; income from speculation business - 2 Tk. 20,000 and Tk. 44,000. In 2022 - 2023, his capital gain was Tk. 22,000. Calculate taxable income for Mr. Hannan for both the income years.

Illustrating Losses from Capital Gain

Mr. Peter furnishes his income under different heads for the income year 2022 - 2023 and 2023 - 2024 as: Income from rice business Tk. 25,000 and Tk. 105,000; Income from agriculture Tk. (50,000) and Tk. 5,000 and Income from Capital Gain Tk. 15,000 and Tk. (12,000). Taxable income of Mr. Perter for the years should be:

	2022 - 2023	2023 - 2024
Income from rice business	25,000 (50,000)	105,000
Income from agriculture Capital gain	15,000	(12,000)
Carry forward Total	(10,000)	12,000
Carry forward	10,000	
Set off previous loss		(10,000)
Total Income	•	100,000

Note: Any loss from the sources other than Capital gain and Business (including speculation and tobacco business), can be adjusted for set off against the total income from all the heads. Adjustment of Agricultural loss thus reported after total income whereas, loss under the head capital gain is adjusted when the income of the head is computed.



Mr. Hamid's income from business is Tk. 450,000 and capital gain is Tk. (18,000), identify how much loss Mr. Hamid can set off and can carry forward to next year? If Mr. Hamid has another capital gain of Tk. 14,000 in the same year what will be your answer?

14.5

CLO

14.5

UNABSORBED DEPRECIATION

Where business shows a loss after charging depreciation expense, such charge is only allowed so much that will not show any loss. Unabsorbed depreciation is the portion of allowable depreciation expense that results negative profit in the business. For instance, allowable depreciation expense for tax purpose of a business is Tk. 45,000 and the profit before deducting the depreciation expense is Tk. 30,000. The business could deduct at best Tk. 30,000 depreciation expense to reach zero profit. Here, the remaining allowable depreciation expense, i.e., Tk. 15,000, is the unabsorbed deprecation.

According to Section 71(1) of the ITA, 2023, if it is not possible to charge allowable depreciation wholly against gross income of an assessment year, the unabsorbed portion shall be added with the depreciation of the next year. However, no such early forward of unabsorbed depreciation is allowed if the depreciation allowance is disallowed for noncompliance of any provisions of this Act [Section 71(2)]. Key features of unabsorbed depreciation are:

- ☐ Because of allowable depreciation allowance, one cannot show negative profit in his/her business.
- ☐ Unabsorbed allowable depreciation shall increase depreciation of subsequent year(s) or if there is no such allowance for depreciation for that year, the carry forwarded portion will consider as allowance for that year and so on for succeeding years [Section 71(1)];
- ☐ Carry forward is not permitted if depreciation allowance is disallowed for noncompliance of any provisions of this Act [Section 71(2)];
- ☐ Carry forwarded business loss shall be adjusted before charging any carry forwarded unabsorbed depreciation allowance [Section 71(3)]:
- ☐ Unabsorbed allowable depreciation allowance can be carry forwarded until the whole such depreciation is adjusted [Section 71(4)]:
- ☐ In a scheme of amalgamation, the amalgamated company shall have the right to carry forward the accumulated loss and the unabsorbed depreciation of the amalgamating company as if they are of the amalgamated company in the income year in which the amalgamation took place [Schedule 8, Part 1(3)].

Example: Consider the following situations for three different companies relating to depreciation allowance:

	Company X	Company Y	Company Z
Profit before depreciation	Tk. (30,000)	Tk. 40,000	Tk. 50,000
Allowance for depreciation	45,000	45,000	45,000
Profit after depreciation	(75,000)	(5,000)	5,000

Here, X Company is not allowed to charge depreciation allowance which results an increase in the loss figure. But it is allowed to show this depreciation allowance in full in the next year (if enough profit is available) in addition to depreciation allowance applicable for next year. Y Company can show only Tk. 40,000 as depreciation allowance because profit before depreciation for Y Company is Tk. 40,000. But Y Company can show unabsorbed depreciation of Tk. 5,000 in next year (if enough profit is available) in addition to depreciation allowance applicable for next year. Z Company can charge all depreciation allowance because it will not result a loss for the company. So, the ultimate result will be as follows:

	X	Y	Z
Profit before depreciation	Tk. (30,000)	Tk. 40,000	Tk. 50,000
Allowance for depreciation	4	40,000	45,000
Tax payable income	(30,000)		5,000
Unabsorbed depreciation carried forward	45,000	5,000	

14.6

CLO 14.6

- 806 to -

BUSINESS LOSS & UNABSORBED DEPRECIATION

Loss can be a business loss i.e., trading, manufacturing or agricultural and because of allowable depreciation on fixed assets used in business, profession or agriculture. In broader sense, loss includes depreciation too where a separation thereof does not make any business sense, but for taxation purpose, the distinction is important therefore the following:

Bangladesh Income Tax - Theory and Practice

- Unabsorbed depreciation can be carry forwarded without any time limit where as
 other loss can be carry forwarded for six years.
- The unabsorbed depreciation as such forming a part of subsequent year's income can be set off against any income under any head in the same year.
- The unabsorbed depreciation is deemed part of the depreciation allowance for a subsequent year and will enter into the income of such subsequent year. Carried forward loss does not enter into such computation, and is deducted from the subsequent year's income

SOLVED PRACTICAL CASES (SPC)



LOSSES FROM AGRICULTURE, BUSINESS, CAPITAL GAIN

Cak whate taxable income for the current income year of Mr. Rafi considering income from employment Tk 200,000; financial assets Tk. 10,000; rent Tk. 45,000; agenculture Tk (175,000), speculation business Tk. (20,000); other business Tk. (90,000), capital gain Tk. (12,000) and other sources Tk. 80,000.

Assessee: Rafi	Assessment Year: 2024 - 2025	Income Yea	r: 2023 – 2024
Income from employm income from rent Income from agricultur		Tk. (20,000) 20,000 Tk. (90,000) 90,000	Tk. 200,000 45,000 (175,000)
Income from capital ga Carry forward Ingome from financial Income from other sour Total income	an assets	Tk. (12,000) 12000	10,000 80,000 Tk. 160,000



MULTIPLE YEARS. LOSSES FROM MULTIPLE BUSINESSES

Compute taxable income of Mr. Mahid considering his income from:

•	2022 – 2023	2023 - 2024
Income from employment	Tk. 160,000	Tk. 160,000
Agricultural inc ime	(80,000)	120,000
Income from electronics business	(100,000)	50,00 0
Income from garments business	(50,000)	(15,000)
Income from tobacco business	(20,000)	55,000
Income from speculation business	10,000	(30,000)
Capital gain	(12,000)	10,000
Income from financial assets	40,000	40,000

Assessee: Mahid						
Assessment Year:		2023 -	- 2024		2024 - 2025	
ncome Year:		2022	- 2023		2023 - 2024	
ncome from employment			Tk. 160,000		Т	k. 160,000
ncome from agriculture			(80,000)			120,000
ncome from business:						
Electronics business		(100,000)			50,000	
Garments business		(50,000)			(15,000)	
Tobacco business	(20,000)			55,000		
Set off of previous loss	-			(20,000)		
Carry forward	20,000				35,000	
Speculation business	10,000	-		(30,000)	33,000	
Carry forward	-	10,000		30,000		
		(140,000)			70,000	
Set off previous year's loss		-			(140,000)	
Carry forward (business loss)		140,000	-		70,000	-
Income from Capital Gain		(12,000)	•		10,000	
Set off of previous year's loss		-			(12,000)	
Carry forward		12,000	-		2,000	
Income from financial assets			40,000			40,000
Total income			Tk. 120,000			Tk. 320,000



MULTIPLE YEARS, BUSINESS LOSSES, CARRY FORWARD

Mr. Faisal states sources of income and information for different income year as:

- □ 2021 2022: Income from rent Tk. 120,000; agriculture Tk. 20,000; electronic business Tk. 10,000; garments business Tk. (80,000); tobacco business Tk. 40,000; and Capital gain Tk. (18,000).
- 2022 2023: Income from rent Tk. 80,000; agriculture Tk. (100,000); electronic business Tk. 20,000; garments business Tk. (50,000); tobacco business Tk. (30,000); and Capital gain Tk. 8,000.
- 2023 2024: Income from rent Tk. 120,000; agriculture Tk. 50,000; electronic business Tk. (10,000); garments business Tk. 40,000; tobacco business Tk. 100,000; and Capital gain Tk. 18,000.

He carried forward a loss of Tk. 25,000 from tobacco business from 2020-2021 income year to 2021-2022 income year. Calculate taxable income for Mr. Faisal.

	Assessment Year: 2022 - 2023	Income Year: 2021 - 2022
Assessee: Faisal	Assessment rearrange	Tk. 120,000
Income from rent		20,000
Income from agriculture		

SPC 14.4

Total Income

UNABSORBED DEPRECIATION

Calculate taxable income of Mr. Arif for the income year 2023 – 2024 considering his income from: employment Tk. 360,000; agriculture Tk. (35,000); revenue from: Garments Business Tk. 40,000, Electronics Business Tk. 30,000, Potato Business Tk. 25,000, and Speculative Business Tk. (8,000). Mr. Arif is the owner of a house property that has an annual value of Tk. 180,000 and was let out for residential purpose and remains vacant for four months period during the year. Admissible expense of the house is Tk. 90,000 except repair and maintenance.

Otl	ier	ini	format	ion:
		,		

- ☐ Mr. Arif received subsidy of Tk. 15,000 from government against losses from agriculture.
- Expenses relating to the businesses include depreciation and other expenses: for Garments it was Tk. 5,000 and 39,000; for electronics it was Tk. 2,000 and 20,000 respectively; and for potato business, there was no depreciation but other expenses were Tk. 15,000.
- Unabsorbed depreciation carried forward from previous years total Tk. 5,000 (electronics business).
- ☐ Previous year's losses carried forward to this year includes –

Garments Business	Tk. 3,000	Year of origin (Income year): 2021 - 2022
Electronics Business	4 500	Year of origin (Income year): 2022 – 2023
Potatodyu Manori.	500 ياد،	Year of origin (Income year): 2016 - 2017
Speculation Business	2,800	Year of origin (Income year): 2022 - 2023

Assessee: Arif Assessment Year: 2024	-2025	Income Year:	2023 – 2024
Income from employment		· · · ·	Tk. 360,000
Income from rent:	produce to the same	TI 100 000	
Annual Value	1 m 1 m 1 m 1 m 1 m 1 m 1 m 1 m 1 m 1 m	Tk. 180,000	
Vacancy allowance	4	(60,000)	
Total rental value		120,000	
Less: Admissible expenses: Repair and maintenance	Tk. 45,000		A 30 11
Other	90,000	135,000	.1 2 (21)
t' '			(15,000)
Language Compagniculture		Tk. (35,000)	
Income from agriculture		15,000	
Less: subsidy received			(20,000)
(0)(0.5)			
Income from Business:		Tk. 7,000	
General Business (workings)	Tk. (8,000		
Speculation Business	• *		
Carry forward	8,000		7,00

Income from business:		Tk. 10,000	17 A
Income from electronics business		(80,000)	
Income from garments business	Tk. 40,000	(0-,)	
Income from tobacco business	25,000	15,000	
Set off pervious loss (tobacco business loss)		(55,000)	
		55,000	
Carry forward (business losses)		Tk. (18,000)	
Income from Capital Gain		18,000	
Carry forward		10,000	Tk. 140,000
Total income			11. 140,000
Assessee: Faisal Assessment Year:	2023 – 2024	Income Yea	r: 2022 – 2023
Income from rent			Tk. 80,000
Income from agriculture			(100,000
Income from business:			
Income from electronics business		Tk. 20,000	
Income from garments business		(50,000)	
Income from tobacco business	Tk. (30,000)		
Carry forward (tobacco business loss)	30,000	- · ·	
•		(30,000)	
Carry forward (business losses)		30,000	
Income from Capital Gain		Tk. 8,000	
Set off previous loss		(18,000)	
Carry forward		10,000	
Total income			Tk. (20,000
Carry forward (representing agricultural loss)	- 16162 8 - 17 3	15 1	20,00
Total income			Tk.
Assessee: Faisal Assessment Year:	2024 2025	Income Ven	r: 2023 – 2024
Income from rent	2024 - 2023	medice rea	Tk. 120,000
Income from agriculture		and p	50,000
Set off previous losses (except business & capital gain))		(20,000)
Income from business:	,		(20,000)
Income from electronics business		TI. (10.000)	
Income from garments business	77) 10,000	Tk. (10,000)	
Set off previous losses (55,000 + 30,000)	Tk. 40,000		
Carry forward of loss (business losses)	(85,000)		
Income from tobacco business	45,000	•	
Set off previous loss	Tk. 100,000		
Income from Capital Gain	(30,000)	70,000	60,000
• The state of the	Co Marie	Tk. 18,000	
Total income		10,000	8,000
Total income		17	Tk. 218,000
		v. 1 = 0 = 0.	त सं ज्यान्स्र

Bangladesh Income Tax - Theory and Practice

Tk. 332,000

Baugladesh Income Tax - Theory and Practice

Workings:			Resiness
	THE REAL PROPERTY.	To the last	State Street,

Paradas	Garments	Electromics	Potato	Total
	Tk. 40,000	Tk. 30,000	Tk. 25,000	Tk. 95,000
Revenue	39.000	20.000	15.000	74,000
Less Execuses (Others)	1.000	10,000	10,000	21,000
Profit (loss) before allowable depreciation	1,000	2,000	-	3.000
Lesix Expenses (Depreciation) (note 1)		8,000	10.000	18,000
Net Profit	-	(4,500)	(3.000)	(7,500)
Set off previous year's loss (note 2) Set off previous unabsorbed depreciation (note 3)	-	(3,500)		(3.500)
Income from Susiness	Tk	Tk	Tk. 7,000	Tk. 7,000
Unabsorbed depreciation	Tk. 4,000	Tk. 1.500	Tk	Tk. 5.500

Nate: (B) Democration for garments business can be adjusted only by Tk. 1,000 to avoid negative profit. The analysisal pursuit of the depreciation, i.e., Tk. 4,000 shall be carried forward to next year(s). (2) Previous business into can be set off against meaning from any business; thus, the previous axis of the garments business is adjusted against meaning from potate business. Previous less from potate business however cannot be adjusted (set off) as the carry forward of issues is allowed upon so successive assessment years. (3) Previous unabsorbed depreciation shall be adjusted in the current, car only by Tk. 3,500, the remaining shall be carried forward to next year.



INCOME FROM MULTIPLE BUSINESS. INCOME UNDER REDUCED RATE

Mr. Ranz discloses the following incomes from business for the Income Year 2023 – 2024. Profit from Speculation business: A. Tk. 560,000; Loss from X business Tk. (270,000); Loss from X business Tk. (270,000); Profit from Z business: Tk. 20,000 into two-year-old business has been purchased from the previous owner Mr. Sohel. Before purchase, the business had a loss of Tk. 20,000 in the income year 2022 – 2023. Mr. Rana also reported a loss of Tk. 25,000 from poultry firm for the income year 2023 – 2024. Calculate taxable income of Mr. Rana for the income year 2023 – 2024 under the head "Income from Business".

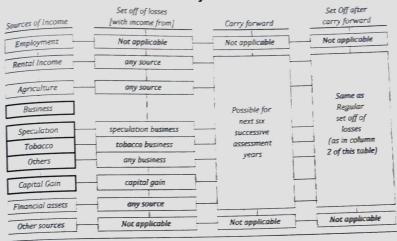
Amennee: Rana	Assessment Year: 2024 - 2025	Income Year	: 2023	- 2024
Income from Agriculture i poul		Tk. (25,000)		
Loss dissolvered for set off (a s		25.0000	Tk	-
Profes from speculation busines	HA.			560,000
Same from 3, pusiness			(3	20,000)
Lone Store 's Dusaness				70.0001
Profe from Z business				20.000
Total incime from outiness				90,000
			18.	90,000

Note: (3) No set off is allowed for income under reduced rate, e.g., income from poultry firm. (2) Loss from normal numbers can be set off against mountes from other heads. The previous loss of acquired business cannot be us off by the new twiter. 3 1966:

EXHIBIT

14.4

Summary Table



KEY POINTS

- Losses from one head are allowed to adjust with income from other head(s).
- ☐ It will reduce total taxable income.
- ☐ Set off is not applicable for Income from employment and other sources.
- Losses from Speculation tobacco business cannot be set off against income from any other head(s) but can be set off only against income from some other speculation tobacco business.
- ☐ Losses from business other than speculation tobacco, can be set off only against the income under the head 'Income from Business'.
- Losses from Capital gain cannot be set off against income from any other head(s) but can be adjusted only against some other capital gain.
- When set off of losses are not completely possible against same year's income from other allowable heads, it is allowed to transfer such amount of losses to next
- year for set off.

 Carry forward of losses is possible for maximum six successive assessment years.
- Depreciation allowance is not possible to charge against profit if it results a loss, but can charge up to that much which does not result any loss for the business.
- ☐ Unabsorbed depreciation can be carried forward for unlimited time period.

	NULTIPLE CHOICE QUESTION	•	-11,
	In the year of loss, set off of losses is possible for		
I	(a) income from agriculture	(b) income from business	
	(a) income from agriculture	(d) income from capital gain	
	(c) income from salary Carry forward of losses is possible to next -		
2	Carry forward of losses is possible to	(b) six successive assessment years	
	(a) five successive assessment years	(d) none of these	
	(c) next assessment year only If you have losses from garments business, you	can set it off in the year of loss again	nst income
3.			
	from –	(b) any other business only	
	(a) any other heads	(d) none of these	
	(c) any other garments business only		
4.	Losses from capital gain can be carried forward b	(b) exceeding five thousand	_
	(a) of five thousand	(d) zero	
	(c) of losses		
5.	Losses from speculation business can be set off a	(b) any other business only	
	(a) any other heads		
	(c) any other speculation business only	(d) none of these	
6.	Losses from the head capital gain can be set off a	gainst income from –	1
	(a) any other heads	(b) any other capital gain only	
	(c) any other head except speculation business	(d) none of these	
7.	After carry forward, agricultural losses can be set	off against income from -	
	(a) any other heads	(b) any other head except capital gain	
	(c) agricultural income only	(d) same agricultural product	
8.	After carry forward, losses from business or profession	can be set off against income from -	office the
	(a) same business only	(b) any business only	77 M
	(c) any heads	(d) any heads except capital gain	
9.	Where the assessee is the partner of a firm he/she	can -	
	(a) carry forward or set off firm losses against hi		
	(b) carry forward firm losses to set off against hi		
	(c) set of firm losses against his/her income		
	(d) do nothing to set off or carry forward firm's	losses against his/her own income	
10	Unabsorbed depreciation can be carried forward i	-	
10.	(a) next six successive years		
	(c) unlimited years	(b) next year only	
	(c) untimited years	(d) none of these	
TF	RUE (T) OR FALSE (F) IDENTIF		
1.	If set off is possible in the year of loss, you may o	arry forward the loss to next year.	T 🗆 F
2.	Income from speculation business can be used to	set off losses from other sources	

OT OF

OT OF

OT OF

□F

DISCUSSION QUESTIONS (DQ)

- pQ14.1 Define set off and Carry forward of losses according to the Income Tax Act, 2023.
- pO14.2 Explain the provisions for losses under the head "Income from Business".
- pQ14.3 "Set off and Carry forward of losses is not possible for any losses arising under the head capital gain" do you agree? Explain.
- DO14.4 Explain the provisions regarding losses arising under the head income from agriculture.
- DQ14.5 State the similarities and differences between carry forward of business losses and carry forward of loss from speculation business.
- pol4.6 State the conditions and limitations of carry forward of losses.
- pQ14.7 What is unabsorbed depreciation? What are the provisions of carry forward in this regard?
- DQ14.8 Write short note on:
 Set off of losses Unabsorbed depreciation Speculation business
 Carry forward of losses

PROBLEM CASES (PC)

4 79 11

10 H 31 A

PC14.1: Calculate taxable income of Mr. Anik who is an accountant for the income year ended 30th June 2024 considering his income from: salary Tk. 360,000; financial assets Tk. 20,000; rent Tk. 50,000; sole proprietorship business Tk. 200,000; speculative business Tk (30,000); tobacco business Tk. 18,000; garments business Tk. (30,000); and agriculture Tk. 25,000.

PC14.2: Considering given information calculates taxable income for Mr. Alok for the year ended 30th June 2024: Income from – employment Tk. 200,000; financial assets Tk. 30,000; garments business Tk. (25,000); speculation business Tk. 15,000; capital gain Tk. (9,000). Mr. Alok carried forward losses of garments business Tk. 7,000 from last year.

PC14.3: Considering given information calculate taxable income for Mr. Hasan for the income year ended 30th June 2024: Income from salary Tk. 240,000; Annual rent received from house property Tk. 120,000; Profit from fisheries Tk. 78,000; Losses from poultry firm Tk. 22,000; Losses from electronics business Tk. 200,000; Profit from speculation business Tk. 50,000; Losses from tobacco business, Capital gain Tk. 17,000; and Interest from savings account Tk. 9,000.

PC14.4: Calculate taxable income for Mr. Shamol considering following income

and the second second second second	2021 - 2022	2022 - 2023	2023 - 2024
Income from financial assets	12.000	12,000	12,000
	1,20,000	1,40,000	160,000
Income from rent	(135,000)	(20,000)	40,000
Income from agriculture	(25,000)	22:000	-
Income from capital gain	(23,000)	22,000	

except losses from capital gain,

Cash subsidy received from government will reduce amount of losses.

5. Losses of any partnership firm can set off against income of any of the partners.

Income from capital gain can be used to set off losses resulted from any other sources,

PC14.5: From the following particulars of Mr. Alam compute taxable income for

the income years:	2022 - 2023	2023 - 2024
	Tk. 256,000	Tk. 268,000
Income from employment	40,000	40,000
Income from financial assets	(80,000)	120,000
Income from agriculture	(130,000)	50,000
Income from electronics business	(50,000)	15,000
Income from garments business	10,000	(30,000)
Income from tobacco business	(12,000)	10,000
Income from capital gain		

Mr. Alam received Tk. 10,000 cash subsidy from government against losses incurred in agricultural sector in the year 2022 – 2023. He has unabsorbed depreciation of Tk. 3,000 in electronics business and Tk. 10,000 in garments business which he carried forward to year 2023 – 2024.

PC14.6: From the following particulars of Mr. Elahi Boksh compute taxable income for the income years:

•	2021 - 2022	<i>2022 – 2023</i>	2023 - 2024
Income from agriculture	Tk. 55,000	Tk. 40,000	Tk. (62,000)
Income from electronics business	(80,000)	20,000	25,000
Income from garments business	15,000	21,000	17,000
Income from speculation business	8,000	(11,000)	35,000
Income from capital gain	(4,000)	(7,000)	17,000

Mr. Elahi Boksh carried speculation business losses of Tk. 20,000 and electronics business losses of Tk. 12,000 from the income year 2017 - 2018.

PC14.7: Mr. David discloses the following incomes from business for the Income Year 2023 – 2024:

- ☐ Profit from Speculation business A Tk. 360,000:
- ☐ Loss from X business Tk. (120,000);
- ☐ Loss from Y business Tk. (70,000);
- ☐ Loss from Z business Tk. (20,000)
- ☐ Share of profit from partnership firm Tk. 15,000 (The partnership firm had a loss of Tk. 10,000 in the income year 2022 2023).

The Z Business is the two-year-old business that has been purchased from the previous owner Mr. Rabbi. Before purchase the business had a loss of Tk. 20,000 in the income year 2022 – 2023.

Calculate taxable income of Mr. Rana for the income year 2023 - 2024.

ANSWERS

MUL	TIPI	LE CI	HOIC	E QU	JEST	IONS	S					TRU	E/FA	LSE
1	2	3	4	5	6	7	8	9	10	1	2	3	4	5
С	b	b	С	С	b	a	b	d	С	F	Т	Т	F	F
					-	a	U	u				<u> </u>	<u> </u>	

SELF - REVIEW 14.1

SELF - REVI	EW 14.1		
Income from e	mployment	1. T. J.	Tk. 440,000
Income from B	usiness:	3.	
Income fro	om garments business	Tk. 40,000	
Losses fro	m fish business (current year)	(25,000)	
	m fish business (last year)	(17,000)	
		(2,000)	
Carry forv	vard -	2,000	y
POSTW	14 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	and The side of	1

Taxable income at the end of the current year

Tk. 440,000

Mr. Habib can set off both current and previous years business losses against the head 'Income from Business'. However, if the loss is not wholly so set off, he shall carry forward the unadjusted loss to the next year(s). He is not allowed to set off business losses against income from any other income head.

SELF - REVIEW 14.2

postati	2022 – 2023	2023 – 2024
Income from employment	Tk. 200,000	Tk. 200,000
Income from business:	Tk. (35,000)	Th. (15 000)
		Tk. (15,000)
Speculation business – 2	20,000	144,000 JE HALL
	(15,000)	29,000
Carry forward last year loss	- 15,000	(15,000)
and the same of th	The same of the sa	14,000
Income from capital gain	22,000	r
Taxable income	Tk. 222,000	Tk. 214,000

SELF - REVIEW 14.3

In this year Mr. Hamid cannot set off any losses because loss from the head capital gain is not possible to set off with income from any other head(s). He needs to carry forward the full loss, i.e., Tk. 18,000.

In the second case Mr. Hamid can carry forward loss of Tk. 4,000 because his losses from the head capital gain after set off is Tk. 4,000 (i.e., 18,000 – 14,000).

2 3 14 × 38 × 4

15

Return of Income

"Income tax returns are the most imaginative fiction being written today"

— Herman Wouk

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

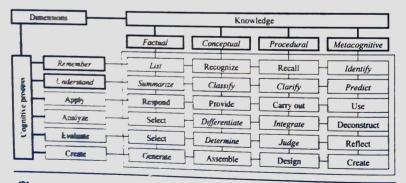
- CLO 15.1 identify the assessee require to file a return of income
- CLO 152 understand who is authorized to sign/verify the return
- CLO 15.3 specify the timing of submitting return of income
- CLO 15.4 explain the required document accompanied the return
- CLO 15.5 illustrate the process of filing different forms of return
- CLO 15.6 explain the cause and process of filing revised return
- CLO 15 " explain the role of DCT in sending notice
- CLO 15 8 list the information required to accompany the return

KEY TERMS

Return of Income, Asset, Liability, and Lifestyle Statement, Withholding tax, Annual Information Return, Notice, Revised Return, Accounts and Documents

Bloom's Taxonomy

Thus chapter covers (italic) the entire knowledge dimension and the four levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



Income Tax 29(B)

CLO

15.1

15.1

WHO IS REQUIRED TO FILE A RETURN?

As per Sec 166(1), every person will file tax return with the DCT for respective income year, if -

the total taxable income during the income year exceeded the maximum amount, which is not chargeable to tax under Income Tax Act 2023;

Example: Suppose, if the taxable income exceeds taka 350,000, an individual is required to file a return in the assessment year 2024 – 25. Because Tk. 350,000 is the maximum exemption limit for the assessment year 2024 – 25.

- any individual was assessed to tax for any one of the three years immediately preceding the income year;
- such person is a company, shareholder director or shareholding employee of any company, any firm, partner of any firm, any association of persons (AOP), employee holding an executive or director position in any business, any public employee, or any non-resident who possesses any permanent establishment in Bangladesh:
- such person, except institutions established only for charitable purposes, receives any income during the income year which receives benefits of tax exemption or tax payment at reduced rates under Para 6 of First Chapter of ITA, 2023;
- any person who is required to get registration as taxpayer under section 261; and
 such a person is required to furnish proof of submission of tax return under section 264.

15.2 PERSON NOT REQUIRED TO SUBMIT RETURN

Submission of tax return of income shall not be mandatory for the following [U/s - 166(2)].

- Any educational institution which is a primary or pre-primary school or government secondary or higher secondary school teaching in Bangali, or which is a MPO educational institution, and which does not have an English version of the curriculum,
 - □ Public University.
 - ☐ Bangladesh Bank,
- ☐ Local Authorities,
- Statutory public authority, or jurisdiction, which has no income other than funds and interest income received from the Government,
- Any entity established or constituted by or under any law for the time being in force which has no income other than funds from the Government,
- Government Provident Fund and Government Pension Fund,
- ☐ Any non-resident natural person who has no fixed base income in Bangladesh
- Persons exempted from filing returns by the Board, by notification in the Official Gazette.

Bangladesh Income Tax - Theory and Practice

EXHIBIT

15.1

Persons Required Filing a Return

Company	Every company
Persons other than companies	If income exceeds maximum exemption limit If assessed in any one of the three immediately preceding years Required compliance under sections 261 & 264

15.3

CLO

15.2

WHO IS AUTHORIZED TO SIGN A RETURN?

A return should be duly signed and verified by the respective individuals who hold the rights to do so as per the rules to make it a valid and complete one. A return, which is not signed and verified, is not merely an inaccurate or incomplete return, but it is not a return at all. (Beharilal Chatterjee V. CIT [1934] I.T.R. 377)

EXHIBIT

15.2

Persons Authorized to Sign a Return [U/s 169(5)]

Assessee	Authorized Person
Natural Individual —————	the individual himself; if absent, the authorized person; if mentally incapacitated, the guardian or any other person competent to act on his behalf;
Hindu undivided family ———————	the Karta, if absent or mentally incapacitated, any other adult member of such family;
Company or local authority	the principal officer thereof;
Firm -	any partner thereof, not being a minor;
Any other association —	any association member or the principal officer thereof;
Any other person	that person or some person competent to act on his behalf;

15.4 CLO

15.4

WHAT SHOULD A RETURN ACCOMPANY BY?

A return must be prepared in prescribed form (as prescribed by the Board) with required explanation and data and such return should accompany selective schedules, declarations, accounts, annextures and documents [U/s- 169(1)]. A summary of the documents accompanied by the return is given below:

☐ Company or persons having income from long term contract [U/s-169(2)]

Audited financial statements; proof of applying selected standards for verification purpose as prescribed by the board, from time to time; a separate sheet of calculation explaining the difference between income reported in profit

Chapter - 15 Return of Income

- ☐ Entities having income from international transaction
 [U/s- 169(3)]
- □ Non-resident Bangladeshi [U/s- 169(4)]

and loss account and income tax return

A statement related to international transactions prepared under section 238.

Proof of payment of tax liability computed and paid based on return to be submitted with the Mission of Bangladesh nearby

15.5

15/3

WHEN TO FILE A RETURN UNDER SAS?

Persons who are legally required to file return under section 166, shall file return under section 180 under the self-assessment scheme (SAS) [Section 170]. The Income Tax Return must be submitted on or before Tax Day and such a return shall be submitted upon payment of income tax u/s 173. In case of filing of return after Tax Day, return shall be filed upon payment of income tax as U/s 174 (Section - 171). As specified in Section 2(23) of the ITA, 2023. "Tax Day" means -

- ☐ in the case of an assessee other than a company, the thirtieth day of November following the end of the income year;
- in the case of a company, the 15th day of the seventh month following the end of the income year; or the 15th day of September following the end of the income year where the said fifteenth day falls before the fifteenth day of September.
- the next working day following the Tax Day if the day mentioned above is a public holiday:

15.6

CLO

15.5

15.7

FILING OF RETURN IN RESPONSE TO NOTICE

The DCT may, at any time after expiry of the date specified u/s 171, by a notice in writing, order to submit return of income (section 172), if -

- ☐ Such person is required to file a return under section 166;
 - ☐ Total income of such person becomes taxable during the income year.

The return in response to the notice shall be filed within such period, not being less than 21 days, as may be specified in the notice or within such extended period as the DCT may allow. The assessee is obligated to file return in response to a notice under this section even where the assessee claims that his income is exempt from tax for it is not the Department to determine whether the income is entitled to exemption (Lala Gopi Mal Kusiala Charitable Trust v. I.T.O. [Punj] 1962, 76 I. T. R. 436).

15.7

15.5

15.7

87 T. A

TAX COMPUTATION IN CASE OF FILING OF RETURN

Regarding Payment of Income Tax and Surcharge on or before the date of filing return [Section 173]

Every person who is required to file a return under section 166, 172, 175, 191, 193 or 212 shall pay the tax payable on or before the date of filing of the return [Sec 173(1)]. The tax payable shall be calculated in accordance with A - B rules.

Here,

\[\sum A = \tax \text{ payable by the taxpayer on the basis of the return or under the provisions \(\text{D} \) whichever is higher;

of sub-section (5) of section 163, whichever is higher; □ B = Tax paid at source or advance tax as per the provisions of Part-7.

The amount paid under sub-section (1) shall be deemed to have been paid as tax The amount paid under sub-section (1) and as tax payable by the taxpayer after assessment of regular tax. If any person, without payable by the taxpayer after assessment of regular tax. payable by the taxpayer after assessment payable under sub-section (1), he shall be reasonable cause, fails to pay the tax payable under sub-section (1), he shall be deemed to be a defaulting taxpayer.

Computation of Tax in case of Filing of Return after the Tax Day |Section 174 Computation of Tax in case of rining later than 174]

If any such taxpayer who requires to file return under section 166 fails to file the If any such taxpayer who requires to the liability arising under other return within the Tax Day, without prejudice to the liability arising under other return within the Tax Day, without player shall be assessed and paid as following provisions of this Act, the tax of the tax payer shall be assessed and paid as following the formula,

$$A = B + (B - C) \times D \times 0.02,$$

Where,

☐ A = Total amount of tax payable,

☐ B = Total amount of tax the assessee would have paid if he had submitted the

return by Tax Day, provided that the tax exempted income shall be included in the total income and shall be

taxed at the regular rate; and shall not include any penalty or tax imposed or levied under this Act other than minimum tax, surcharge and simple interest,

☐ C = Sum of advance tax and TDS paid by the taxpayer in the said income year;

and \square D = Number of months determines as under, namely:

the number of months after the expiry of the Tax Day which shall not exceed 24: and

a fraction of a month shall also be counted as a full 1 month.

SPECIAL PROVISIONS REGARDING GENERAL RETURN

AND REVISED RETURN CLO 15.3

Subject to the provisions of sections 182 and 212, the following returns shall be deemed to be general returns, namely:-

amended return filed under sub-section (10) of section 182;

returns filed in pursuance of the issue of notice U/s 212(3)

If an amended return is filed under any provision of this Act by the Tax Day, tax shall be paid in accordance with section 173. Similarly, if an amended return is filed under any provision of this Act after the Tax Day, no such exemption shall be claimed in the amended return which was not claimed in the original return and any fresh exemption claimed shall be canceled and taxed at the regular rate.

A return or revised return cannot be filed at the time of assessment of tax based on order of appeal or Tribunal. Provided that, in cases where the taxpayer has not filed any return, the return may be filed at the time of assessment of tax based on order of appeal or Tribunal, if applicable.

CONSEQUENCES OF FILING OF INCOMPLETE RETURN 15.9

CLO 15.6

CLO

15.5

In case of filing of any return or revised return, if the provisions of section 169 or any direction issued by the Board are not followed, the said return or revised return is considered to be incomplete [Section 176(1)].

If the return or revised return is considered to be incomplete, the Deputy Commissioner of Taxes shall, with the reasons specified, send a notice to the taxpayer to submit the relevant information, verification, statement or document within the time specified in the notice [Section 176(2)].

Where a taxpayer fails to fully comply with the notice given under sub-section (2), the return or amended return, which was deemed to be incomplete-

☐ Failure to comply with sub-sections (2) and (5) of section 169 shall be deemed to be void or void as if it had not been filed and in case of such void, the commissioner of taxes shall take the following steps, namely:-

sending to the taxpayer a notice of cancellation or invalidity of the return

notifying the Additional Commissioner of Taxes in writing of the cancellation or invalidity;

in other cases, it may be elected for audit under section 182.

The return or revised return shall be deemed to have been completed on the date of filing if the taxpayer has fully complied with the contents of the notice given under sub-section (2). A return shall not be deemed complete merely because of the acknowledgement of receipt.

SUBMISSION OF RETURN OF WITHHOLDING TAX 15.10

The following person will submit a return of withholding tax, in forms as prescribed by the Board, for the taxes deducted and collected under the rules specified in Part 7 of ITA 2023 (U/s- 177):

□ companies other than a local authority, autonomous body, any Government authority, primary or pre-primary school teaching in Bengali, government secondary or higher secondary school, or educational institutions subject to monthly payment orders;

□ firm;

association of Persons;

private hospital;

clinic; and

diagnostic center.

Such a return should be submitted to the DCT where he is being assessed. The return Such a return should be submitted to the Such as the shall be furnished in the prescribed to the shall be furnished in the prescribed to the information, and accompanied by such schedules, statements, accounts, annexures, or information, and accompanied by such schedules, statements, accounts, annexures, or documents as may be prescribed [U/s-177(2)].

Return of withholding tax needs to be submitted within 25th day of every month for the previous month. If such a day falls on a weekend or government holiday, then it the previous month. It such a day lens to be submitted on the following working day. The Board may, by notification in the Official Gazette, prescribe the area, form, and manner of filing returns in electronic readable or computer readable medium.

The DCT may select a number of withholding tax returns with the approval of the Commissioner of taxes for audit and may take action under Sections 143, 144 and 266. No such return shall be selected for audit after the expiry of 4 years from the end of the year in which the return was filed. [Section 186]

NOTICES FOR ACCOUNTS AND DOCUMENTS

CLO 15.7 Under section - 179, the Deputy Commissioner of Taxes may, by notice in writing require an assessee who has filed a return under sections 166, 175, 176, or 212 or to whom a notice has been issued to file a return, to produce or cause to be produced such accounts, statements, documents, data or electronic records, not being earlier than three years prior to the income year, as he may consider necessary for the purpose of audit or assessment.

The DCT may specify in the notice that the accounts, statements, documents, data or electronic records or any part thereof shall be produced in such electronic form or by such electronic media as may be mentioned in the notice. The accounts, statements, documents, data or electronic records shall be produced on or before the date as may be specified in the notice. The assessee must comply with the notice, even if he thinks that the accounts or documents required by the DCT are irrelevant (Tulsi Das Nagin Chand v. C.I.T. [1938] 1. T.R. 385).

Because, The DCT is the sole judge of what is relevant, his discretion to issue a notice under this section is unfettered (Kunwariji Ananda v. C.I.T. 5 I.T.C. 417, 430). But the assessee must be given reasonable time within which to produce his books (C.I.T v. Bombay Trust Corporation Ltd. [1936] 1.T.R. 323, 338 (P.C.); Sadaram Puranchand v. C.I.T. 5 I.T.C. 459, 464).



Consider the given income with other particulars of assessees during the income year 2023 - 24. Identify who is required to file return of income: P - Tk. 360,000 (did not assessed before); Q - Tk. 120,000 (resides within city corporation area); R - Tk. 120,000 (owns a motor car); S - Tk. 120,000 (has been assessed in last year).

CLO 15.4

15.5

STATEMENT OF ASSETS, LIABILITIES, AND LIFESTYLE

Sub	bject to other provisions of ITA 2023, every n	atural individual	will mandatorily
sub	bmit the Statement of Assets and Liabilities if h	ie (U/s-167)	
П	has in the last data as the		

as, in the last date of the income year, a gross wealth exceeding Tk. 50 lakh; or Owns a motor car during any time of the income year; or

☐ has made an investment in a house property or an apartment in the city corporation area during the income year; or

☐ has own properties in countries outside Bangladesh during anytime of the income

□ becomes a shareholder director of any company:

Provided that every public servants shall compulsorily submit a statement of assets and liabilities. Every resident Bangladeshi individual furnish the details of assets and liabilities in and outside Bangladesh. Every non-resident Bangladeshi reports his/her assets and liabilities in Bangladesh while submitting return. Every non-resident foreigner will also report the details of assets and liabilities in Bangladesh.

Provided further that any individual assessee who is not required to submit the statement mentioned here may voluntarily submit such statement. The assets and liabilities of spouse and minor child should be included with the assets and liabilities of the assessee if such spouse of minor child doesn't own a TIN. The DCT may serve a notice to submit such schedule of assets and liabilities if such schedule is not submitted; or if such schedule is required to calculate tax liability for the income year.

In addition to the schedule of asset and liability, every natural individual assessee is also required to submit a statement of lifestyle mandatorily if (U/s-168)-

	total income exceeds Taka five lakhs during the respective income year;
_	at a desired the income years

owns a motor car any time during the income year

becomes a shareholder director of any company;

invests in house property or apartment within city corporation area during the income year; or

reports income from business.

The DCT may require any natural person, by notice in writing, to submit a statement of lifestyle in any income year, if such statement is not submitted or if such statement is required to calculate tax liability for the income year.

FORMS OF RETURN

CLO 15.8

Income Tax Return Rules 2023 prescribe different forms, and schedules to be used by different categories of persons at the time of submitting returns. The relevant forms are downloadable from the NBR website: www.nbr.gov.bd. The contents and formats of return form for different categories of assesses have been continuously updated by the NBR to address any necessary revisions [See exhibit 15.3].

EXHIBIT

15.3

Form of Return

Form of Return				
Form	Purpose	Applicable to		
IT GHA (2023)	Return of Income	Individual Assessee with income and gross wealth not exceeding Tk. 5 lac and Tk. 40 lac respectively		
IT GA (2023)	Return of Income	Individual Assessee other than individuals who need to submit return using IT GHA (2023)		
Inclusions				
Schedule 1	Particulars of income from salaries	Employees receiving salary under Government Pay Scale (KA), other employees (KHA)		
Schedule 2	Particulars of income from rent	Assessee having income from rent		
Schedule 3	Income from Agriculture	Assessee having income from agriculture		
Schedule 4	Income from business	Assessee having income from business		
Schedule 5	Particulars of tax credit/rebate	Assessee claiming investment tax credit		
IT 10B (2023)	Statement of Assets, Liabilities and Expenses	Individual Assessee		
IT 10 BB (2023)	Statement of Expenses relating to Lifestyle	Individual Assessee		
TT 11 GHA (2023) Return of Income Company Assessee				
IT 11 CHA (2023) Return of Income Other		Other than Individual and Company Assessee		
Inclusions				
Schedule 1	Particulars of income from rent			
Schedule 2	Income from Agriculture	Assessee having income from rent		
Schedule 3		Assessee having income from agriculture		
7.009	Income from business or profession	Assessee having income from business		
T-11 CHHA (2023)	Acknowledgement Slip of Return	or profession		
		Applicable for all taxpayers		
		,payars		

вX	H	I	B	I	T	
----	---	---	---	---	---	--

15.4

Return Forms for an Individual

National Board of Revenue www.nbr.gov.bd

IT-11GA (2023)

For Office Use	
erial No. of Return Register	
olume No. of Return Register	
Date of Return Submission	

FORM OF RETURN OF INCOME FOR NATURAL PERSON

۱.	Name of the Taxpayer:					
2.	National ID No./Passport No. (If No NID):					
3.	TIN:					
4.	(a) Circle: (b) Taxes Zone:					
5.	Assessment Year:6. Residential Status: Resident [/ Non-resident [
7.	Taxpayer's Status: Individual Firm Hindu Undivided Family Others					
8.	Tick on the box for getting special benefit: A gazette war-wounded freedom fighter A parent of a person with disability Aged 65 years or more Disable person					
9.	Date of Birth (DD MM YYYY)					
	Wife/Husband's Name: TIN (if spouse is a Taxpayer):					
11	. Address:					
	Telephone: Mobile: e-mail:					
12	12. If employed, employer's name (latest employer's name in case of multiple employment):					
1	3. (a) Name of Organization:					
	(b) Business Identification number (BIN):					
1	14. Name and TIN of Partners / Members in case of Firm / Association of Persons:					

Statement of Income and	Tax
V anded OR	

during the Income Year ended on						
Name of the Taxpayer:						
TIN:	Amount in Tk.					
Particulars of Income	The same in Tk.					
Income from Employment (annex Schedule 1)						
2. Income from Rent (annex Schedule 2)						
3. Income from Agriculture (annex Schedule 3)						
4. Income from Business (annex Schedule 4)						
5. Income from Capital Gain						
Income from Financial Assets (Bank Interest, Dividend, Securities Profit etc)						
Income from Other Sources (Royalty, License Fees, Honorarium, Govt. Incentive etc.)						
8. Share of Income from Firm or AoP						
9. Income of Minor or Spouse (if not Taxpayer)						
10. Taxable Income from Abroad						
11. Total Income (Aggregate of Serial 1 to 10)						
ax Computation	Amount in Tk.					
12. Gross Tax on Taxable Income						
13. Tax Rebate (annex Schedule 5)						
14. Net Tax after Rebate (12 – 13)	in the fee					
5. Minimum Tax	v 1					
6. Tax Payable (Higher of 14 and 15)						
7. (a) Net Wealth Surcharge (if applicable)						
(b) Environmental Surcharge (if applicable)	200 000					
8. Delay Interest, Penalty or any other amount Under Income Tax Act (if any)						
9. Total Amount Payable (16 + 17 + 18)						

Particulars of Tax Payment	ticulars	s of Ta	ax Payment
----------------------------	----------	---------	------------

Particulars of Tax Fayillent	Amount in	Tk.
20. Tax Deducted or Collected at Source (attach proof)		
21. Advance Tax paid (attach proof)		
22. Adjustment of Tax Refund {mention assessment year(s)) of refund}	
23. Tax Paid with this Return		
24. Total Tax Paid and Adjusted (20 + 21 + 22 + 23)		
25. Excess Payment (24 – 19)		
26. Tax Exempted / Tax Free Income (attach proof)		
List of Documents Furnished w	vith this Return	
<u>Verification</u>		
father/hus	sband <u>no sing sing sa </u>	,

arms Pr	the quality father/husband
TIN:	Solemnly declare that to the best of my knowledge and belie
the inform	ation given in this return and statements and documents annexed herewith is correct an
complete.	
Place :	
Date :	
	Signature (Name in block letter

SCHEDULE 1 PARTICULARS OF INCOME FROM EMPLOYMENT

PARTICULARS	OF INCOME.		scale
PARTICULARS a. This part is applicable for employe	ees receiving salary under	government pay	scare.
a. This part is applicable for employ	TIN		
Name of the Taxpayer:			
	Total	Exempted	Taxable
Particulars	Amount (Taka)	Amount (Taka)	Amount (Taka)
Basic pay			1
2. Arrear Pay			
3. Special allowance			× , , , , ,
4. House Rent allowance			
5. Medical allowance			
6. Conveyance allowance	1 / 1 / 1 / 1 / 1 / 1 / 1 / 1 / 1 / 1 /		
7. Festival allowance			
8. Support Staff allowance			
9. Leave allowance			
10. Honorarium / Reward			
11. Overtime allowances			
12. Bangla Noboborsho allowances			
13. Interest accrued on Provident Fund			
14. Lump Grant			
15. Gratuity			
16. Others, if any (provide detail)			
17. Total	IN GULLER		
b. This part is applicable for em government pay scale. Name of the Taxpayer:	ployees other than em	ployees receivin	g salary under
Particulars			q"
Basic pay		Income (Taka)	Income (Taka)
2. Allowances			
3. Advance / Arrear Salary			
4. Gratuity, Annuity, Pension or similar	r benefit		
5. Perquisites			

6. Receipt in lieu of or in addition to Salary or Wages	
7. Income from Employee's Share Scheme	
8. Accommodation Facility	
9. Transport Facility	
10. Any other Facility provided by Employer	,
11. Employer's Contribution to Recognized Provident Fund	
12. Others, if any (provide detail)	
13. Total Salary Received (aggregate of 1 to 12)	
14. Exempted Amount (as per Part 1 of 6th Schedule)	
15. Total Income from Salary (13 – 14)	

SCHEDULE 2 (PARTICULARS OF INCOME FROM RENT)

Name of the Taxpayer: ______ TIN

9. Net Income (6 – 8)10. Taxpayer's Share, if applicable

Location,	2 2 C	Ī	
description, and	Total Rental Income Computation	Amount (Taka)	Amount (Taka)
proportion of property	A Company of the Comp		- 17.00
	1. Rent Received or Annual Value (whichever is higher)		
R 8 0 00	2. Advance Rent Received		
	3. Value of any Benefit in addition to 1 & 2	34	100
	4. Adjusted Advance Rent	7	11.
	5. Vacancy Allowance		
JT ni The	6. Total Rental Value (1 + 2 + 3 - 4 - 15)		
-	7. Allowable Deduction:	1 4 4	
3 4 44 4 7	(a) Repair, Collection etc.		
	(b) Municipal or Local Tax		
	(c) Land Revenue		
	(d) Interest Paid on Loan / Mortgage / Capital Charge	,	
	(e) Insurance Premium Paid		
1	(f) Others, if any		
	8. Total Admissible Deduction	1.5	

SCHEDULE 3 SCHEDULE 3 SCHEDULE 3 SCHEDULE 3

(PARTICULARS OF INCOME)	
Name of the Taxpayer:	
Nature of Agriculture: Summary of Income	Amount in Tk.
1. Sales / Turnover / Receipt	
Gross Profit General Expenses, Selling Expenses, Land Revenue, Rates, Loan Interest, General Expenses, And Other Expenses	1
General Expenses, Selling Expenses, Land To- Insurance Premium and Other Expenses	
4. Net Profit (2 – 3)	

SCHEDULE 4 (PARTICULARS OF INCOME FROM BUSINESS)

Name of the Taxpayer:	
Name of Business: Nature of Business:	
Address of Business:	1 00 100
Summary of Income	Amount in Tk.
1. Sales / Turnover / Receipt	-
2. Gross Profit	
3. General, Administrative, Selling and Other Expenses	
4. Bad Debt Expense	
5. Net Profit (2 – 3)	

	Summary of Balance Sheet	y Committee Comm	Amount in Tk.
6. Cash and Bank Bala	nce	e	
7. Inventory		2.51	
8. Fixed Assets			
9. Other Assets			
10. Total Assets (6 + 7	+8+9)		
11. Opening Capital			
12. Net Profit			
13. Drawing during the	Income Year		
14. Closing Capital (1	+ 12 – 13)		
15. Liabilities			-
16. Total Capital & Li	abilities (14 + 15)		

SCHEDULE 5 (PARTICULARS OF INVESTMENT TAX CREDIT)

		,
Name of the Taxpayer:	TIN	

Particulars of Rebatable Investment

	Summary of Income	Amount in Tk.
1.	Life Insurance Premium or Contractual Deferred Annuity Paid in Bangladesh	
2.	Contribution to Deposit Pension Scheme	
3.	Investment in Government Securities, Unit Certificate, Mutual Fund, ETF or Joint Investment Scheme Unit Certificate	
4.	Investment in Securities listed with Approved Stock Exchange	
5.	Contribution to Provident Fund to which Provident Fund Act, 1925 applies	
6.	Self & Employer's Contribution to Recognized Provident Fund	
7.	Contribution to Superannuation Fund	
8.	Contribution to Benevolent Fund / Group Insurance Premium	
9.	Contribution to Zakat Fund	
10.	Others, if any (provide detail)	
11.	Total Investment (aggregate of 1 to 10)	
12	Amount of Tax Rebate	

LINE TELL

Income 1 ax—20(A)

IT - 10B (2023)

		 	,
STATEMENT OF ASSETS, LIABILITIES AND	EXPENSES (AS ON		

To Whom It May Concern All Public Servants.

- If the amount of Total Asset at home and abroad exceeds Taka 40,00,000.
- The amount of Total Asset does not exceed Tk. 40,00,000 but owns a Motor Car in any time or Invested in any House Popery or Apartment within the City Corporation area or Owns Assets outside Bangladesh or being a Shareholder Director of a Company.
- Every Non-Bangladeshi and Non-Resident Bangladeshi Natural Person shall submit the statement only in respect of Assets Located in Bangladesh.

Nam	e of the Taxpayer: TIN					
1.	Sources of Fund:	Amo	unt (Tk.	Amo	ount (Tk)
	(a) Total Income Shown in Return (Sl. No. 11 of Statement of	1	une (The	7,1,1,1	/uni (1 ii	_
	Total Income)					
	(b) Tax Exempted Income (Pls see Instruction Page)					Ī
	(c) Receipt of Gift and Others			1		
Tota	I Source of Fund:					
2.	Net Wealth as on Last Date of Previous Income Year	+-		+-		
3.	Sum of Source of Fund and Previous Year's Net Wealth (2 +3)					
4.						
	(a) Expense relating to Lifestyle (as per IT-10BB)					
	(b) Gift / Expenses / Loss Not Mentioned in IT-10BB	+				-
Tota	al Expense and Loss:	1		+		
5.	Net Wealth at the Last Date of this Financial Year (3 - 4)	+-		+		
6.	Personal Liabilities Outside Bangladesh	+		+		
	(a) Institutional Liabilities	+		_		
	(b) Non-Institutional Liabilities	+-				-
	(c) Other Liabilities	+		+		
	Total Liabilities Outside Bangladesh:	+		+		
7.	711 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	+		-		
8.		+		1		
	(a) Total Asset of Business	+		+		
	Less: Business Liabilities (Institutional & Non-Institutional)	+		-		
-		+		+		
	(b) Director's Shareholdings in the Companies					

(For Natural Person)

	1:4.vg	Amount of Tk.	Comments
2.1.1.1.	Particulars of Expenditure		100
Serial No.	Particulars of Expension Personal and family fooding, clothing and other essentials		
2.	Housing Expense		-
3.	Personal Transport Expense		1
4.	Utility Expense (Electricity, Gas, Water, Telephone, Mobile, Internet etc. Bills)		
5.	Education Expense		
6.	Personal Expense for Local and Foreign Travel, Vacation etc.		0
7.	Festival and Other Special Expense		
8.	Tax Deducted/Collected at Source (with TS on Profit of Sanchaypatra) and Tax & Surcharge Paid based on Tax Return of Last Year)		
9.	Interest Paid on Personal Loan Received from Institution & Other Source		
	Total	:	

Verification

I solemnly declare that to the best of my knowledge and belief the information given in this IT-10BB (2023) is correct and complete.

Name & signatur	e of the Taxpayer
Date:	

Instructions to fill up the Return Form

Instructions:

- (1) This Return of Income shall be Signed and Verified by the Taxpayer or his Authorized Representative as prescribed in the Income Tax Act, 2023.
- (2) Enclose where applicable:
 - (a) Salary statement for salary; Bank statement for interest; Certificate for interest on savings instruments; Rent agreement, receipts of municipal tax & land revenue, statement of house property loan interest, insurance premium for house property income; Statement of Professional income as per IT Rule-8; Copy of assessment/ income statement & balance sheet for partnership income; Documents of capital gain; Dividend warrant for dividend income; Statement of other income; Documents in support of investments in savings certificates, LIP, DPS, Zakat, stock/share etc.
 - (b) Depreciation Chart claiming depreciation as per the Income Tax Act, 2023;
 - (c) Computation of Income according to the Income Tax Act, 2023.
- (3) Enclose Separate Statement for:
 - (a) any income of the spouse of the Taxpayer (if she/he is not an Taxpayer), minor children and dependent;
 - (b) Tax exempted / Tax free Income.
 - (c) Income Exempted from Tax declared under Part 1 of the Sixth Schedule of the Income Tax Act, 2023.
- (4) Documents furnished to support the declaration should be signed by the Taxpayer or his/her authorized representative.
- (5) Furnish the following information:
 - (a) Name, address & TIN of the partners if the Taxpayer is a firm;
 - (b) Name of firm, address & TIN if the Taxpayer is a partner;
 - (c) Name of the company, address & TIN if the Taxpayer is a director.
- (6) Assets and liabilities of self, spouse (if she/he is not a Taxpayer), minor children and dependent(s) to be shown in the IT-10B (2023).
- (7) Signature is mandatory for all Taxpayer or his / her authorized representative.
- (8) For Natural Person, signature is also mandatory in IT-10B (2023) & IT-10BB (2023).
- (9) If needed, please use a separate sheet.

(e) Business Capital of Partnership Firm (d) Non-Agricultural Property / land / House Property (Acquisition / Cost Value with Legal Expense / Acquired Price / Building Cost / Investment) Location and Description of Non-Agricultural Property	1 70
(d) Non-Agricultural Property (Acquisition / Cost Value with Legal Expense / Performance Cost Value Cost	1 75
Legation and Description	
(use separate sheet it is	
(e) Agricultural Property (Acquisition / Cost Value with Legal Expense) (Acquisition of Non-Agricultural Property Location and Description of Non-Agricultural Property	4
(use separate sheet if needed)	
(f) Financial Assets: (i) Share / Debenture / Bond / Securities / Unit Certificate	n.
etc.	
(ii) Sanchaypatra / Deposit Pension Scheme (iii) Loan Given (Mention Name & NID of Loan Receiver)	
(iii) Loan Given (Mention Name & 112	7
(iv) Savings Deposit / Term Deposit	
(v) Provident Fund or Other Fund (if any)	100
(vi) Other Investment	1
Total Financial Assets:	
(g) Motor Vehicle(s) (Cost Value including Registration Expense) (Mention Type and Registration Number of Motor Vehicle)	1 .
(h) Ornaments (Mention Quantity)	100
(i) Furniture and Electronic Items	5
(j) Other Assets (Except Assets Mentioned in Sl. k)	
(k) Cash in Hand and Fund Outside Business	- h
(i) Bank Balance	
(ii) Cash in Hand	Primer.
(iii) Others	19
Total Cash in Hand and Fund Outside Business:	
9. Asset Outside Bangladesh	1
10. Total Assets in Bangladesh and Outside Bangladesh (8 + 9)	•

Verification

I solemnly declare that to the best of my knowledge and belief the information given in this IT-10B (2023) is correct and complete.

Name & signature of the	e Taxpayer
Date:	-



Government of the People's Republic of Bangladesh National Board of Revenue (Income Tax Office)

Acknowledgement Receipt / Certificate of Return of Income

Assessment Year	:		
Name of the Taxpayer	:		
NID / Passport No (if No NID)	:		Senter a con-
TIN:			- acompanyon
Circle:	Taxes Zone:		-
Total Income Shown	: Tk.		- 12 a spen
Total Tax Paid	; Tk.	· (r)	the section
			the feet was
Serial No. of Return Register		·	
Volume No. of Return Register			+ 1
Date of Return Submission			

Seal of Tax Office

Signature and Seal of the Official Receiving the Return

KEY POINTS

_	
	A person other than a company is
	A person other than a company is required to file a return if his or her tax
	The meeting the income year 2022 24 avands. The 250 000 or if
_	assessed in any one of the three immediately proceeding years
	Every company has to file a return of
	Every company has to file a return of income irrespective of their profitability.
	an individual the person authorized to sign on the return of
	mornic is the individual himself; if absent, the authorized person; if mentally
	incapacitated, the guardian or any other person competent to act on his behalf.
	In the case of an assessed other person competent to act on his behan.
	In the case of an assessee other than a company, the return must be submitted
	by the thirtieth day of November following the end of the income year.
	in the case of a company, the return must be submitted by the fifteenth day of
	the seventh month following the end of the income year; or the lifteenth day of
	September following the end of the income year where the said fifteenth day
	falls before the fifteenth day of September
	Poture about the intentional day of September
ш	Return should be supported with proper documents, e.g., statement of assets
	and liabilities (individual assessee) and audited financial statement (company).
	Where the full amount of tax payable has been deducted at source, assessee
	may instead of films - and fil
	may, instead of filing a return file a certificate of income along with
00.00	supplementary documents.
	The DCT may, at any time after expiry of the last date for filling return by a
	notice in writing asks the assessee to file a return of income.
	A person can furnish a revise return at any time before assessment is made
	when he/she discover any omission or incorrect statement.
	The DCT may, by notice in writing, require an assessee to produce or cause t
	produce any accounts, statements/documents at the time specified on the notice.

MULTIPLE CHOICE QUESTIONS

- 1. Which of the following is not a reason to a person other than a company for filling return?
 - (a) Owns a motor car (b) CA
- (c) Has no TIN
- (d) CMA
- 2. Who is not authorized to sign a return in the case of an individual?
 - (a) Individual himself(c) Lawyer of the assessee

- (b) Authorized person(d) None of these
- 3. An assessee other than a company need to file a return by the -
 - (a) 30 June
- (b) 30 November
 - (c) 15 July
- (d) 15 August
- 4. DCT may send a notice to file a return within such days not being less than -
 - (a) 21 days
- (b) 30 days
- (c) 60 days
 - days (d) 7 da
- An abstract of the provident fund account of an employee need to furnish where each employee participating in a Recognized Provident Fund and whose income under the head salary is –
- (a) Tk. 15,000 or over per month (c) Tk. 15,000 or over per year
- (b) Tk. 20,000 or over per month(d) Tk. 20,000 or over per year
- 6. When can an assessee file a revise return?

		accessment		mada
10	Defere	accessment	15	made

- (b) After assessment is made
- (d) Never
- 7. Which of the following need not to be submitted by an individual with return of income?

- (a) Particulars of life style
- (d) Audited statement of accounts
- (b) 2 months
- 9. In the case of a company, who is authorized to sign on the return? (b) Principal officer
 - (a) Chief accountant

- (d) Any official
- 10. Who can send notice and asks for filling return or to produce accounts and documents?
- (a) Commissioner of Taxes

- (b) Appellate Joint Commissioner
- (c) Deputy Commissioner of Taxes
- (d) Tax Recovery Officer

TRUE (T) OR FALSE (F) IDENTIFICATION

- 1. Every company is required to file a return irrespective of their profitability.
- 2. If someone's (except company) taxable income is below Tk. 350,000 in the income year 2023 - 24, he may require filing return of income in some specific cases.
- 3. The chief accountant shall furnish dividend information to the prescribed officer.
- 4. DCT can extend the period for submission of return.
- 5. DCT can send notice and can ask for accounts and documents.

DT DF DT DF DT DF DT DF OT OF

DISCUSSION QUESTIONS (DQ)

- DQ15.1 "If someone's income during the income year does not exceeds the maximum amount which is not chargeable to tax, may require to file return" - do you agree? Explain.
- DQ15.2 Who is authorized to sign on the return and when an assessee should file the return?
- DQ15.3 "The DCT may, at any time send a notice to the assessee and may ask for filling a return of may ask for accounts and documents" - explain.
- DQ15.4 How do you think a nonresident Bangladeshi can submit his/her return of income?
- DQ15.5 When can an assessee submit certificate in place of return?
- DQ15.6 How do you think an assessee can file a revise return?
- DQ15.7 When do you think information regarding payment of dividend is required to furnish? What information should be provided in this regard?
- DQ15.8 Write short note on: ☐ Tax Day ☐ Certificate in place of return ☐ Forms of return

ANSWERS

MUL	TIPI	E C	HOIC	E QU	JEST	IONS								ALCE
1	2	3	4	5	6	7	0		_			TRU	JE/F.	ALSE
С	d	b	a	d	- a	-4	-	9	10	_1	2	3	4	.5
						<u>u</u>		b	С	·T	T	F	T	//T

SELF - REVIEW 15.1

Except Q, everyone else should file return. P's income exceeds maximum amount which is not chargeable to tax, R and S's income does not exceed Tk. 300,000 but R owns a motor car, and S has been assessed in last year.

SELF - REVIEW 15.2

- ☐ Information regarding Interest
 - Name and address of every person to whom such payment has been made or was due; the amount of payment so made or due; and such other particulars as may be prescribed.
- ☐ Information regarding Divided
 - The name and address of every shareholder, as entered in the register of shareholders, to whom a dividend or the aggregate of dividends has been paid or distributed; The amount of dividend or dividends so paid or distributed; and such other particulars as may be prescribed.

16

Assessment, Audit, Refunds, and Recovery of Tax

"They can't collect legal taxes from illegal money."

— Al Capone

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

CLO 16.1 understand the concept of assessment

CLO 16.2 explain the assessment cycle

CLO 16.3 differentiate various types of assessments

CLO 16.4 enumerate the procedure of audit

CLO 16.5 illustrate the process of tax recovery

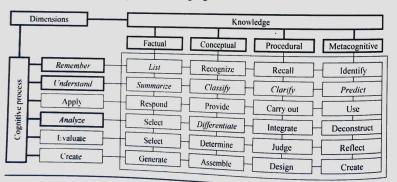
CLO 16.6 list situations entitled tax refund

KEY TERMS

Assessment, Recovery, Refund, Spot Assessment, Appeal, Universal Self Assessment, Provisional assessment, Notice, Audit

Bloom's Taxonomy

This chapter covers (*ttalic*) the entire knowledge dimension and three levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



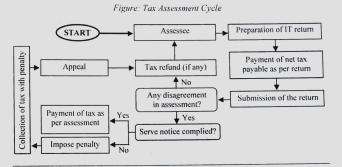
16.1 ASSESSMENT: DEFINITION

The term 'assessment' is very important in income tax literature. Most of the sections of ITO lead to fair assessment of the assessees. Traditionally, assessment may mean to calculate the taxable income with the tax liability. But, in modern sense, assessment is a wider concept. It is not mere calculation rather is a process that starts from the identification of taxpayers and ends with the collection of tax from him to

the satisfaction of IT authority. Thus, it covers the full cycle of assessment.

16.2 ASSESSMENT CYCLE

CLO 16.2



Assessment cycle is the steps required to complete the full assessment process. It starts with the taxpayer (assessee) and ends with the payment of required tax to the full satisfaction of the IT authority. The same process continues over the years and forms a never-ending loop. Assessment cycle starts with the assessee. The steps are pointed out below in a simplified manner:

- □ The assessee is required to fill up Income Tax Return under section 166. According to the rules set under the Income Tax Return Rule, 2023, the Specimen of Form of Return of Income is followed.
- ☐ Then the assessee is required to compute net tax liability payable by him to the government. The computation is based on the taxable income as shown in income tax return reduced by tax deducted at source (TDS), advance income tax (AIT), tax rebate on investment allowance. At the time of submitting income tax return, the assessee is required to submit documents to show that the tax as computed has already been paid through A challan in Bangladesh Bank or Sonali Bank.
- Once the return is filled up and calculated tax is paid accordingly, the assessee is now required to submit the return to the DCT.

If the assessment made by the DCT results more tax to be paid by the assessee he will issue a demand notice for the same under section 214 in specified form. If the assessee fails to pay the amount of additional tax within the time, he will be treated as 'assessee in default' and legal actions can be taken against him for collecting tax.

☐ After receiving the demand notice from the DCT, the assessee may demand more time from the DCT or may also apply for payment of such additional tax in installment. Then, the assessee is required to pay such tax within the extended time or in installment as per the direction of the DCT.

☐ The DCT may impose penalty due to the non-compliance in any manner, say, not abided by the demand notice, violence of any section of the ordinance, non-submission of required documents, non-payment of tax as revised etc. The nature and extent of penalty depends on the type of non-compliance and will be guided by Part 19 (Sec 266 to 284) and 22 (sec 310 to 326) in most of the cases.

□ Once the penalty is imposed, the assessee is required to pay penalty with the amount of tax (if unpaid). The process starts with serving notice of demand (U/s - 214) in the prescribed form specifying therein the sum payable and the time within which, and the manner in which, it is payable, together with a copy of an assessment order. If the assessee failed to pay tax within the time specified, he will be deemed to be in default and in such circumstances; the Deputy Commissioner of Taxes may forward to the Tax Recovery Officer a certificate for recovery of the tax, under his signature specifying the amount of arrears due from the assessee (U/s - 216). Such recovery may also be made by Collector of District (U/s - 220).

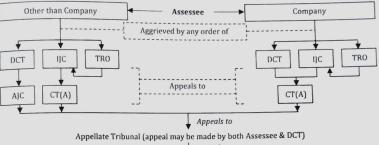
 Any assessee, if aggrieved, may appeal to higher tax authority in line with the sections 285 to 295 of Part 20 of IT Act, 2023.

If the amount of tax paid becomes more than the taxes payable as per assessment, the assessee is entitled to be refunded. Chapter 3, Part 15 of IT Act 2023 deals with refunds. As the assessee is required to pay tax before the annual assessment by way of tax deducted at sources (TDS), Advance Income Tax (AIT), payment of tax at the time of filing return, payment of tax due to demand notice; the total amount of tax paid may be higher than the amount of tax to be paid. Refund may also become due because of any order passed in appeal (U/s 229). However, tax authority may adjust the amount of such refund against other direct taxes (e.g., gift tax, wealth tax) as payment of tax under sections 154 or 173 thereof.

EXHIBIT

16.1

Procedure of Appeal



Appellate Tribunal (appeal may be made by both Assessee & DCT)

For Reference

High Court Division

Appeals to

Appellate Division

Here, DCT: Deputy Commissioner of Taxes; IJC: Inspecting Joint Commissioner of Taxes; TRO: Tax Recovery Officer; AJC: Appellate Joint Commissioner of Taxes; CT(A): Commissioner of Taxes (Appeals)

16.3

TYPES OF ASSESSMENT

CLO 16.3 In a tax assessment cycle, assessment is a very important step and Part 10 (Sec 180 to 196) of the IT Act 2023 is fully dedicated for assessment. The following types of assessment has been enumerated in this part:

	Self-Assessment Section:	180 - 181
	Assessment based on Return	183
	Best judgment assessment	184
	Provisional Assessment	185
	Assessment of Firms or AOP	187
	Assessment in case of change in the constitution of a firm	188
	Assessment in case of constitution of new successor firm	189
	Assessment in case of succession to business otherwise than on death	190
	Assessment in case of a discontinued business	191
	Assessment in case of partition of a HUF	192
	Assessment in case of persons leaving Bangladesh	193
$\overline{\Box}$	Assessment in case of income of a deceased person	194
	Spot Assessment	195
	Sportissessivent	

	THE THE PARTY OF T
a:	L toyes are naid after complying with the pro-
se fil	any tax exemption or rebate; or
Protax	ovided that the assessee shall pay in full, on or before filing the amended return, the sand any other amount that was paid short or computed short; and a simple interest the rate of five percent (5%) per month on the said amount [Section 180(2)], ovided further that no amended return shall be allowed after the — expiry of 180 days from the date of filing original return under sub-section (1); first submission of the amended return; or
	the case of a return submitted under sub-section (1), no question as to the source of tial capital of business/profession of a new assessee shall be raised, if the assessee shows non-exempted income, and income exceeds the tax exemption threshold; shows income no less than 20% of the initial capital invested in the business; pays tax on such income at regular tax rate along with any other applicable amount on or before filing of return; provides the documents regarding the existence of the business; submits the tax return of an assessment year within the Tax Day; and mentions in writing that the return is not any due return [Section 180(4)].
CAC	this section "regular tax rate" is the rate of tax that would be applicable if the tax imption or the reduced rate were not granted; and "due return" is the return that has been submitted in the assessment year of the concerned income year [Sec 180(6)].
Pro The	DCT shall process the return filed under "Self- Assessment" [Section 181] DCT shall process the return filed under section 180 in the following manner: income shall be computed after making the adjustments of any arithmetical error in the return or any incorrect claim which is apparent from the existence of any information in the return or in any statement or document filed therewith;

tax and any other amount payable under this Act shall be computed on the basis of the income computed under clause (a); and the sum, payable by or refundable to the assesse, shall be determined after giving credit of the sum paid by way of advance tax including the tax paid at source and the tax paid under this Act [Section 181(1)].	
here the process of return results in a difference in the amount of income, tax or the material figures than the amount mentioned in the return filed under section 0, the DCT shall serve a notice to the assessee in the following manner, namely-communicating him about the difference and enclosing with the notice a sheet of computation of income, tax, refund or other related particulars that resulted from the process of return;	
giving him an opportunity to explain his position in writing within the time specified in the notice where the process of return results in additional liability or in reduction of refund, as the case may be; and	
 giving him an opportunity to- file an amended return, in the applicable cases, within the time specified in the notice, addressing the difference mentioned in the notice; and pay, within the time specified in the notice, the tax and any other amount that 	
becomes payable as a result of the process [Section 181(1)]	

Where a notice under sub-section (2) is served, the DCT shall-

- send a letter of acceptance of amended return within 90 [ninety] days where all the following conditions are fulfilled -
 - an amended return is filed in accordance with clause (c) of sub-section (2);
 - any tax or other amount, payable under this Act as a result of the process, has been paid on or before the submission of the amended return; and
 - the difference mentioned in sub-section (2) has been duly resolved;
- serve, after the expiry of the date of response of the assessee as mentioned in the notice under sub-section (2), a notice of demand along with a sheet of computation of income, tax, refund or other related particulars where any of the conditions mentioned in clause (a) is not fulfilled;
- a notice of demand shall be served within 6 [six] months from the date of serving notice under sub-section (b) [Section 181(1)].

For the purpose of this section, any information claimed as wrong based on relevant documents means - any irrelevance with any documents submitted with the return; or any excess of deduction, credit over the admissible limit [Section 181(1)].

Assessment by Deputy Commissioner of Taxes [Section 183]

Subject to section 183, the DCT may, relying on the respective return, documents or any other provision of this Act, assess the income tax payable in the following cases:

if any return or amended return filed by any person is considered as an ordinary return under 175; or

The DCT shall start the assessment procedure when the assessee complies with the notice under subsection (3). During assessment, the DCT may require further hearing and shall enumerate the consequences of failure in complying with the requirement provided through notice. Without giving the scope of hearing, the DCT cannot declare any expense shown by the assessee as inadmissible [Section 183(4-6)].

After hearing the person appearing and also considering such other evidence, if any, the DCT may require on specified points, by an order in writing assess, within thirty days after the completion of the hearing or consideration, as the case may be, the total income of the assessee and determine the sum payable by him on the basis of such assessment and communicate the order to the assessee within thirty days next following. In case of the failure of the compliance by the assessee against the notice under subsection (3) or (6), the DCT may initiate for the best judgment assessment under section 184 [Section 183(7-8)]

Best Judgment Assessment [Section 184]

Sommon 184 provides that the DCI shall make the assessment to the best of his judgment in two cases. The two cases where a best judgment assessment has to be made are, where any person fails.

- O to file the return required by a notice under section 172 and has not filed a return or revised return under section 175, or
- as comply with the requirements of a notice under section 172, 175, 183 (3) & 15s, 193 or 212

Best Judgment Assessment will be done after considering available information and legal and factual aspects of the case. The order under this section shall reflect the ground of the Best Judgment Assessment. The DCT shall, by an order in writing or electronically, assess the total income to the best of his judgment and communicate such order to the assessee within thirty days next following [U/s 184 (2-4)].

Provisional Assessment [Section 185]

The DCT may make a provisional assessment of the tax payable by the assesses on the basis of the return as filed & the accompanying accounts and documents, and where no return has been filed on or before the Tax Day, on the basis of the last assessment, on the basis of Best Judgment Assessment by the DCT [U/s 184 (1-3)].

In r	making a provisional assessment under this section, the DCT shall-
	rectify any arithmetical errors in the return, accounts and documents;
П	allow on the basis of the information available from the return, accounts are
	documents, set off and carry forward of losses or carry forward of depreciation
	allowances U/s 70 and 71 [U/s 184 (1-4)].

For the purposes of payment and recovery, the tax as determined to be payable upon provisional assessment shall have effect as if it were determined upon regular assessment [U/s - 184(5)]. The following amount will be granted as credit in case of assessing income under this section

- ☐ Any amount paid or collected at source and duly deposited into government's fund; and
- any paid amount of advance tax. Where any amount is paid towards provisional assessment, such amount will be granted as credit at the time of regular assessment [U/s - 184(6-7)].

Nothing done or suffered by reason or in consequence of any provisional assessment made under this section shall prejudice to the determination on merit of any issue which may arise in the course of regular assessment. There shall be no right of appeal against a provisional assessment under this section [U/s - 184(8-9)].

Assessment of Firm or Association of Persons [Section 187]

In the case of assessment of a Firm or Association of Persons -

- ☐ first, total income of a firm of AOP shall be computed and the tax payable shall be determined on the basis of the total income [U s 187(1)].
- ☐ then, the apportionment of the amount of income shall be done between the several partners.

Assessment of Firm: Change in the Constitution [Section 188]

Where, at the time of assessment of a firm, it is found that a change has occurred in the constitution of the firm, the assessment shall be made on the firm as constituted at the time of making the assessment [U/s 187(1)]. The income of the years shall, for the purpose of inclusion in the total income of the partners, be apportioned between the partners who, in such income year, were entitled to receive the same; and when the tax assessed upon a partner cannot be recovered from him, it shall be recovered from the firm as constituted at the time of making the assessment [U/s 187(2)].

For this section, there is a change in the constitution of a firm [U/s 187(3)]
where all the partners continue with a change in their respective shares or in the shares of some of them, or

where one or more persons who were partners continue to be so with a change by cessation of one or more partners or addition of one or more new partners.

Assessment: New Successor Firm [Section 189]

As per section 189, where, at the time of assessment on a firm, it is found that a new firm has been constituted to succeed the firm to which the assessment relates and it cannot be covered by section 188, separate assessments shall be made on the predecessor firm and the successor firm in accordance with the provisions of section 190 relating to assessment in case of succession to business.

Assessment in Case of Succession to Business Otherwise Than on Death

As per Section 190, where, a person, carrying on any business (predecessor), has been succeeded therein otherwise than on death by another person (successor) continues to carry on that business, [U/s 190(1)] –

the predecessor shall be assessed, in respect of the income of the income year in which the succession took place, for the period up to the date of succession, and
 the successor shall be assessed, in respect of the income of the income year, for the period after the date of succession.

Where the predecessor cannot be found, the assessment of the income year in which the succession took place up to the date of succession and of the income year or years preceding that year shall be made on the successor in the like manner and to the same extent as it would have been made on the predecessor; and the provisions of this Ordinance shall, so far as may be, apply accordingly [U/s 190(2)]. Where any sum payable under this section in respect of the income of a business or profession cannot be recovered from the predecessor, the DCT shall record a finding to that effect, and the sum payable by the predecessor shall be payable by, and recoverable from, the successor who shall be entitled to recover if from the predecessor [U/s 190(3)].

Assessment in Case of Discontinued Business [Section 191]

Without prejudice to the provision of section 189, where any business or profession is discontinued in any financial year, the assessment may be made in that year. For such assessment, total income will be calculated for the period between the end of the income year and the date of such discontinuance [U/s 191(1-2)]. Any person

ratar

d 1/2 1

discontinuing any business or profession in any financial year shall give to the DCT a notice of such discontinuance within 15 days thereof; and such notice shall be accompanied by a return of total income for the period between the end of the income year and the date of such discontinuance and that financial year shall be deemed to be the assessment year for the income of the said period [U/s 191(3)].

Where, a person fails to give the notice required by sub-section (3), the DCT may direct that a sum shall be recovered from him by way of penalty not exceeding the amount of tax subsequently assessed on him in respect of any income from the business up to the date of its discontinuance [U/s 191(4)]. Where an assessment is to be made under sub-section (1), the DCT may serve [U/s 191(5)] -

on the person whose income is to be assessed;
 in the case of a firm, on the person who was a partner of the firm at the time of discontinuance of the business or profession; and

☐ in the case of a company, on the principal officer of the company; a notice to furnish within such time, not being less than seven days, a return of his

a notice to turnish within such time, not being less than seven days, a return of his total income giving such particulars and information as are required to be furnished with a return to be filed under section 169 along with such other particulars, records and documents as may be specified in the notice. This provision shall, so far as may be, apply to a notice under sub-section (5) for the purpose of assessment of tax as if it were a notice under section $172 \left[U/s - 191(6) \right]$.

Assessment: Partition of Hindu Undivided Family (HUF) [Section 192]

A Hindu family hitherto assessed as a Hindu undivided family shall be deemed, for the purposes of this Act, to continue to be a Hindu undivided family except where, and in so far as, a finding of partition has been given under this section in respect of that family [U/s - 192(1)].

If any member of a HUF, at the time of an assessment, claims that a partition has taken place amongst the members of the family, the DCT shall make an enquiry after giving notice to all the members of the family. On the completion of the enquiry, the DCT shall record a finding as to whether there has been a partition of the joint family property, and, if there has been such a partition, the date on which it has taken place [U/s - 192(2-3)]. If the partition took place after the expiry of the income year, the total income of the income year of the undivided family shall be assessed as if no partition has taken place; and each member or group of members of the family shall, in addition to any tax for which he or it may be separately liable, be jointly and severally liable for the tax on the income of the family so assessed [U/s 192(4)].

But, if the partition took place during the income year, the total income of the undivided family in respect of the period up to the date of partition shall be assessed as if no partition had taken place; and each member or group of members of the family shall, in addition to any tax for which he or it may be separately liable, be jointly and severally liable for the tax on the income of that period as so assessed [Sec

192(5)]. Notwithstanding anything contained in this section, if the Deputy 192(5)]. Notwithstanding anything Commissioner of Taxes finds after completion of the assessment of a Hinda Commissioner of Taxes into a Hindu and the family has already effected a partition, the tax shall he undivided family that the family has already effected a partition, the tax shall he undivided family that the family before the partitionrecoverable from every person who was severally liable for tax on the income of the and every such person shall be jointly and severally liable for tax on the income of the family in so assessed. [Sec 192(6)].

For the purposes of this section, the several liability of any member or group of ror the purposes of all sections are sometimes of a Hindu undivided family shall be computed according to the portion of the property of the undivided family allotted to him or it at the partition. The provisions of this section shall, so far as may be, apply in relation to the levy and collection of any penalty, interest, fine or other sum in respect of any period up to the date of the partition of a Hindu undivided family as they apply in relation to levy and collection of tax in respect of any such period [U/s 192(7-8)].

Assessment of Persons Leaving Bangladesh [Section 193]

If any person leaves Bangladesh during the current financial year or shortly after ite expiry and if he has no intention of returning, an assessment may be made by the DCT in that year based on the total income of such person [U/s 193(1)] -

- ☐ if he has been previously assessed, for the period from the expiry of the last income year of which income has been assessed to the probable date of his departure from Bangladesh; and
- if he has not been previously assessed, of the entire period of his stay in Bangladesh up to the probable date of his departure.

Assessment under sub-section (1) shall be made [U/s 193(2)] -

- in respect of each completed income year included in the period referred to in sub-section (1), at the rate at which tax would have been charged had it been fully assessed: and
- in respect of the period from the expiry of the last of the completed income years to the probable date of departure, at the rate in force for the financial year in which such assessment is made and that financial year shall be deemed to be the assessment year in respect of the income of the said period.

For making an assessment under this section, the DCT may serve a notice upon the person concerned requiring him to file, within such time, not being less than seven days, as may be specified in the notice [U s 91(3)]-,

- \square a return in the same form and verified in the same manner as a return under section 166 setting forth, along with such other particulars as may be required by the notice, his total income for each of the completed income years; and
- an estimate of his total income for the period from the expiry of the last income year to the probable date of his departure from Bangladesh.

All the provisions of this Section shall, so far as may be, apply to the notice under sub-section (3) for assessment of tax as if it were a notice under Sec 77. [U/s 193(4)].

Assessment of Income of a Deceased Person [Section 194]

If a person dies, his legal representative shall be liable to pay any tax which the deceased would have been liable to pay if he had not died, in the like manner and to the same extent as the deceased; and the legal representative of the deceased shall be deemed to be an assessee who has been duly served a notice to that effect by the DCT. For assessment of income of the deceased and recovery of tax [U/s 194(1-2)] -

- any proceeding taken against the deceased before his death shall be deemed to have been taken against the legal representative and may be continued from the stage at which it stood on the date of the death of the deceased; and
- any proceeding which could have been taken against the deceased, if he had not died, may be taken against the legal representative, and all the provisions of this Ordinance shall, so far as may be, apply accordingly.

However, the liability of a legal representative shall be limited to the extent to which the estate of the deceased is capable of meeting the liability. For the purposes of this section and other provisions of this Act in which the rights, interests, and liabilities of the deceased are involved, "legal representative" includes an executor, an administrator and any person administering the estate of the deceased. [U/s 194(3-4)].

Spot Assessment [Section 195]

The DCT may assess the tax liability of such person on the spot where-

a person is found to have taxable income;

□ required to submit tax return:

required to comply with any provision of the Act; and

☐ the person failed to perform or comply with requirements of the Act [U/s 195(1)].

Commissioner of Taxes may empower any DCT who is subordinate to him to conduct spot assessments within his jurisdiction. The Board shall issue guidelines as to the manner how assessment under this section shall be made [U/s 195(2)].

16.4 CLO

16.1

BAR TO QUESTION ASSESSMENT AND LIMITATION OF **ASSESSMENT IN TERMS OF TIME**

Bar to Question Assessment [Section 196]

Notwithstanding anything contained in any provision of this Act or in any other law for the time being in force, no authority except the income tax authority U/s 4, Tax Appellate Tribunal established under this Act, and Bangladesh Supreme Court, shall have right to raise any question regarding any assessment made under this Act [U/s 196(1)]. Any action taken in violation of the provision of sub-section (1) shall be null and void and have no legal effect [U/s 196(2)].

Limitation of Assessment in Terms of Time [Section 197]

If assessment is not done on regular basis in some specific situations, then it should be done within stipulated time as set in section 197. After that, assessment will not be

valid. To reduce unusual delay and make the assessment accurate enough, this section value. To reduce unusual uciay and should be completed. See exhibit 16.1, sets time within which the assessment should be completed.

Where, by an order under sections 213, 285, 289, 292, 294 or 295 any income is Where, by an order under sections 213, seek for an assessment year, an assessment excluded from the total income of the assessee for an assessment year, an assessment year. excluded from the total income of the assessment year shall, for this section, be deemed to be of such income for another assessment year shall, for this section, be deemed to be of such income for another assessment for the such income for th one made in consequence of, or to give the said order [U/s 197(5)]. Where, by an order under sections 213, 285, 289, 293 the said order [U/S 197(3)]. When said the said order [U/S 197(3)]. When said order [U/S 197(3)] 294 or 295 any income is excluded to be the income of such other person, an assessment of such income of such other person shall, for the purposes of this section, be deemed to be one made in consequence of snail, for the purposes of this section contained in the said order [U/s 197(6)].

or to give effect to, any finding or direction contained in the said order [U/s 197(6)].

EXHIBIT

16.1

Time Frame of Different Assessment

Situations

Time Frame

- In case of return processing under section 181 [U/s - 197(1)(a)l-
- Within two tax years from the end of the tax year in which the return is filed
- In case of return processing under section 182 [U/s - 197(1)(b)]

Within two tax years from the end of the tax year in which the return has been selected for audit u/s 182(1);

In case of ordinary return processing [U/s -197(1)(c)]

Within one tax year from the end of the tax year in which the return has been considered as ordinary return;

Assessment under section 235 [U/s - 197(1)(d)]

within three years from the end of the tax year in which the said income was first assessable.

Assessment under section 235 [U/s - 197(2)]

within two years from the end of the year in which notice under section 212(1) was issued

· Any order or assessment may be made on the assessee or any other person in consequence of any finding or direction contained in an order under sections 213, 285, 289, 292, 294 or 295, in the case of a firm, an assessment to be made on a partner of a firm in consequence of an assessment made on the firm, or an agreement reached u/s 304, shall be made [U/s - 197(3)]

Within thirty days from the date on which the order was communicated and such revised order shall be communicated to the assessee within thirty days next following.

· Where an order of assessment has been set aside by any authority in that case the assessment shall be made [U/s - 197(4)]

within sixty days form the date on which the order was communicated to him



Identify one basic feature of assessment procedure of (a) Spot assessment (b) Assessment of deceased person and (c) Best judgment assessment

If the DCT fails to give effect to any finding or direction contained in an order referred to in sub-section (3) within the period stipulated therein, such failure of the DCT shall be construed as misconduct [U/s 197(7)].

16.5

CLO

16.1

ASSESSMENT: SOME OTHER BASIC ISSUES

- ☐ Tax to be calculated to nearest taka (U/s 331): Amount of tax or of a refund shall be rounded to nearest taka (disregard if fraction is less than fifty poisha).
- Receipts to be given (U/s 332): A receipt shall be given for any money paid or recovered as tax under this Ordinance.
- ☐ Service of notice (U/s 335): A notice, an assessment order, a form of computation of tax or refund or any other document may be served on the person named therein either by registered post or in the manner provided for service of a summons issued by a Court under the Code of Civil Procedure, 1908 (Act V of 1908). Provided that where an authorized representative of the person as referred to in section 327 of this Act such delivery shall be construed as service of such notice or document on the person himself. The validity of any notice or of the service of any notice shall not be called in question after the return in response to the notice has been filed or the notice has been complied with [U/s - 335(3)]. The notice may be served to the persons as showed in exhibit 16.2.
- ☐ Certain errors not to vitiate assessment, etc. (U/s 336): No assessment, order, notice, warrant or other document made, issued or executed, or purporting to be made, issued or executed, under this Act, shall be void or otherwise inoperative, merely for want of form, or for an error, defect or omission therein, if such want of form, error, defect or omission is not of a substantial nature prejudicially affecting the assessee.

16.6

AUDIT PROCEDURE

CLO 16.4 Audit [Section 182]

Board or any authority authorized by the Board, following the procedures set by the Board, from the return submitted U/s 180 or revised return, may select and send any return to the concerned Tax Commissioner for audit purpose. The Tax Commissioner. within seven days from the date of getting the list, will appoint investigation team, audit team, and audit curator and send the order to such teams and the DCT on the day of signing the order. After getting the order under sub-section (2), within seven days from the date of order, the DCT will serve a notice to the concerned assessee and a copy of the notice will be sent to the investigation team [Section 182(1-3)]

EXHIBIT

Whom to Serve Notice any member of the firm, or the manager or any adult male member of the family in the case of a firm or a Hindu undivided family principal officer in the case of a local authority or a company principal officer or any member thereof in the case of other body or association of persons any person who was a member of the firm or in a case where a firm or association of persons is association dissolved in a case where a business is discontinued to which section 191 applies, if the business discontinued wasthe person whose income is to be assessed that of an individual the principal officer that of a company any person who was a partner of such firm or that of a firm or association of persons a member of such association last manager or all adult members of the • in case of partition of a Hindu Undivided Family the person who manages or controls the · in any other case, not being an individual affairs of the person or institution concerned.

According to Section 182(4), each investigation team -

- □ Will investigate the information regarding the income, expenditure, assets liability, transaction, financial statements and other records, public record, and information relevant to the parties related to the assessee;
- An investigation report concerned to the sources of income and its nature with detailed verification and confirmation, shall be sent to the audit curator;
- ☐ Within 60 days from the receipt of notice, the investigation report will be sent to the concerned DCT and a copy of the report will be sent to the audit curator;
- ☐ In case of the failure to submit the report as mentioned in (c), may apply to the DCT to extent the time. The concerned DCT may extend the time upto 60 days;

After submission of the investigation report, the audit team, based on audit manual set by the Board and guidelines, will conduct the audit procedure, and [Section 182(5)].

- ☐ will examine the compliance of this ACT and other relevant Acts;
- will do the following tasks through field visit, namely: -
 - Collect and verify books of accounts, receipts and payments account, buysale contract and other documents, any evidence, client, any other information issued or supplied by client or supplier;
 - Achieving an idea of the assessee's accounting and MIIS;
- Collection of any other relevant evidence, as the case may be.
- ☐ examine any statement or record of income, expenses, assets or liability; ☐ examine the nature and validity of the transactions;

	will further evaluate the investigation report submitted under sub-section (4);
	Will take interview of the account of the desired under sub-section (4),
	will take interview of the persons related to the assessee;
_	instruct the assessee to submit written statement about any information or data;
ш	will collect and analyze all the relevant information, market information,
	financial information, and assessee's lifestyle related information.

Audit team will send the draft investigation report to the assessee and receive the written explanation from the assessee [Section 182(6)]. Audit team will submit the investigation report to the audit curator, within 300 days from the date of submitting investigation report under sub-section (4) and will include [Section 182(7)]

A statement (including the report of audit team) regarding the assessee's sources
of income, assets, and liability and the verification and confirmation of its nature;
Statement regarding the compliance of all applicable provisions;
Comments on the firm of the provisions and

Comments on area of improvement in the compliance of the provisions a	and
internal control of the assessee, in applicable cases.	

Audit Curator, within 7 days of report submission by the Audit Team, [Sec 182(8)] -D being satisfied on the following issues, will recommend the commissioner of taxes to conclude the audit procedure, namely-

- Based on the audit report, the compliance of the Act and all the income, expenditure, and assets related information has been duly reflected in the return or revised return;
- There is no scope to charge additional tax from the assessee;
- ☐ will give approval to the DCT to complete the audit procedure, if through the audit report it is found that-
 - Based on the audit report, the compliance of the Act and all the income, expenditure, and assets related information has not been duly reflected in the return or revised return;
 - Any other action should be taken against the assessee.

Getting the opinion of the Audit Curator, the Commissioner of Taxes will evaluate the case and within 7 working days after receiving the opinion, provide appropriate decision [Sec. 182(9)]. The DCT, within 7 working days after getting the approval from the Audit Curator, -

will send the audit report to the assessee and a notice, reflecting the result of the
audit, to submit a revised return, and pay the applicable taxes and other amounts
on the basis of the revised return; and

will perform any other tasks as instructed by the audit curator [Section 182(10)].

If the revised return is submitted by the assessee, and the DCT becomes satisfied that the results of the audit report has been duly addressed in the revised return and the payments have been made under sub-section (10), he will accept the revised return and send a letter to the assessee mentioning that the audit has been concluded and resolved [Section 182(11)].

me Tax - Theory and 184, as a under section 183 or 184, as a	applicable, if the
The DCT may assess the income under section 183 or 184, as a revised return is not submitted by the assesse against sub-section (revised return is not submitted by the assesse against sub-section of the audit report has not been duly addressed in the revised return have not been made under sub-section (10) [Sec. 182(12)]. Tax cannot under sub-section (12), unless-	
 investigation and audit are on the audit report; and the assessee is notified about the audit report; and the revised return is not submitted by the assessee against sub-s results of the audit report has not been duly addressed in the results of the audit report has not been duly addressed in the results of the audit report has not been made under sub-section (10) [Section 10] 	on 182(13)].
A return/revised return submitted under sec 180 for a tax year shown least 15% higher than the total income of the immediately preceding the cases set out	ng total income at g tax year cannot below-
return or amended return of any sound statement of which no bat any such return or amended return in support of which no bat been filed in support of availing any type of loan exceeding The been filed in support of availing any type of loan exceeding The been filed in support of availing any type of loan exceeding The been filed in support of availing any type of loan exceeding The been filed in support of availing any type of loan exceeding The been filed in support of available to the	ink statement has k. 5 lac from any ear;
any return or amended return showing total of partial and partial and any return or amended return showing such income to which the	ne reduced rate of
tax is applicable; any return or amended return in respect of which refund of refund of tax is generated;	tax is claimed or
☐ Taxpayer- • fails to submit the necessary documents in respect of comprovisions of Part 7 in the relevant year; or • is subject to audit under clause 176(3)(b) due to failure or	
with the notice sent under section 176(2); fails to file return under section 177. [Sec. 182(14)].	
According to Section 182(15), for the purposes of audit under this se ☐ The Commissioner of Taxes shall form teams in the following w ■ as many audit teams consisting of at least two auditors in a t ■ as many investigation teams consisting of at least two Ta team:	rays- team;
The DCT and the Tax Inspector, in whose jurisdiction the assess cannot be a member of the said audit or investigation team;	ssee is registered,
 Any audit team, if required, can take assistance from specialist evaluators; 	
Return cannot be selected for audit under sub-section (1), unl after the submission;	1
The return shall be selected or approved for audit under sub-sect period not later than 2 years after the end of the tax year in whi been filed:	ion (1) within the ch any return has

	, , , , , , , , , , , , , , , , , , , ,
1	All the report prepared under this section must be signed by all the members of the team;
1	In case of computing "Shown 15% more income", the sources shown in the return submission U/s 180 shall consider only those sources that have been
]	shown in the previous assessment year; Auditor will be selected from the DCTs and Income Tax Authority, whose
)	designation is not less than the assistant tax commissioner; Audit Curator, will be -
	 appointed by the commissioner of taxes from his subordinate assistant commissioner of taxes or joint commissioner of taxes; and the key person to settle the selected audit case under this section in due time
	drafting the audit calendar, drafting the audit plan; and responsible to the commissioner of taxes, to fulfill the purpose of this section

Audit of the Return of Withholding Tax [Section 186]

The DCT, with the approval of the Commissioner, shall select a number of returns of withholding tax filed under section 177 for audit [Section 186(1)]. The DCT shall conduct the audit of the selected return in respect of the following matters-

- whether the tax has been deducted or collected at the rate, in the amount and in the manner as provided in Part VII of this Act and the rules made thereunder;
- whether the tax collected or deducted has been paid to the credit of the Government, or has been paid in accordance with the manner and within the time as prescribed;
- whether the certificate of tax deduction or collection has been furnished in accordance with the provisions of this Act [Section 186(2)].

Where an audit under sub-section (2) results in findings that the provisions of this Act in respect of the matters mentioned in the said sub-section (2) have not complied with, the DCT conducting the audit may take necessary actions under this Act, including the actions under sections 143, 144 and 266 [Section 186(3)].

To select return for audit under sub-section (1) and for its settlement, Board may, as it thinks appropriate, draft Mandatory Full Audit Manual. No return shall be selected for audit after the expiry of four years from the end of the year in which the return was filed [Section 186(4-5)].

16.7

CLO 16.5

Totalis Sveki zer

RECOVERY OF TAX

The procedure regarding recovery of income tax has been explained under the sections 214 to 222, Part 14 of the ITA, 2023. For the purposes of recovery, "tax" includes any sum imposed, levied or otherwise payable under this Act as penalty, fine, interest, delay interest, additional amount, fee or otherwise; and the provisions of this chapter shall accordingly apply to the recovery of any such sum. The details of other provisions are enumerated below:

Notice of Demand | Section 2.17|

Where any tax is payable in consequence of any assessment made or any order. Where any tax is payable in consequence of this Act, the DCT shall serve upon the assessee a passed under or in pursuance of this Act, the DCT shall serve upon the assessee a passed under or in pursuance of units form specifying therein the sum payable and notice of demand in the prescribed form specifying therein the sum payable and notice of demand in the prescribes and the manner in which, it is payable, together with a the time within which, and the manner in which, it is payable, together with a copy of an assessment order [U/s 214(1)]. where any amount of tax is refundable in consequence of any order, the DCT where any amount of tax is referred to in sub-section (1) the sum refundable to the shall specify in the notice referred to in sub-section (1) the sum refundable to the shall specify in the notice retends a sassessment order and a refund voucher unless assessee together with a copy of an assessment order and a refund voucher unless assessee together with a copy such refund is set off against tax as per provision of section 225 [U/s 214(2)]. such refund is set of against a Taxes shall not set off without giving the assessee

The Deputy Commissioner of Taxes shall not set off without giving the assessee an opportunity of being heard [U/s 214(3)]. an opportunity of being mean of the demand under sub-section (1), makes an application in this behalf before the expiry of the date of payment specified in the application in this solution of the DCT may extend the time for payment or allow payment by installments subject to such conditions, including payment of interest on the amount payable, as he may think fit in the situation of the case [U/s 214(4)]. ☐ If the sum payable is not paid within the stipulated time under sub-section (1) or (4), the assessee shall be deemed to be in default [U/s 214(5)]; ☐ If there is an appeal, the DCT will treat the assessee as not being in default till the appeal is not disposed of [U/s 214(6)]. ☐ If, in a case where payment by installment has been allowed under sub-section (4), the assessee commits default in paying any one of the installments within the time fixed therefore, the assessee shall be deemed to be in default as to the whole of the amount then outstanding, and the other installment or installments shall be deemed to have been due on the same date as the installment in respect of which default has actually been committed was due for payment [U/s 214(7)]. ☐ Where an assessee has been assessed in respect of income arising outside Bangladesh in a country the laws of which prohibit or restrict the remittance of money to Bangladesh, the DCT shall not treat the assessee as in default in respect of that part of the tax which is due in respect of such amount of income as cannot, by reason of the prohibition or restriction, be brought into Bangladesh, and shall continue to treat the assessee as not in default in respect of such part of the tax until the prohibition or restriction is removed [U/s 214(8)]. ☐ For the purposes of this section, the income of an assessee will be considered as remitted to Bangladesh when the said income has been spent or could be spent for meeting any expenditure of the assessee in outside Bangladesh or has been brought into Bangladesh as capital or by any other means [U/s 214(9)].

Direct Collection or Return [Section 215]

Arrear taxes of an assessee may be collected through direct bank transfer to government's bank account from the bank account of the assessee. Any kind of refund must be transferred electronically to the bank account of the assessee [Section

215(1-2)]. Notwithstanding anything contained in this act or in any other act, where the return is submitted under self-assessment scheme, and after the processing of the said return by the DCT, if any refund is generated, it must be transferred within 60 days to the bank account of the assessee mentioned in the return. Board may draft relevant rules regarding the collection or refund of taxes through bank transfer, its procedure, condition, qualification and limit [Section 215(3-4)].

Certificate for Recovery of Tax [Section 216]

When an assessee is in default or is deemed to be in default in making payment of tax, the DCT may forward to the TRO a certificate for tax recovery, under his signature specifying the amount of arrears due from the assessee; and such certificate may be issued aside that proceedings for arrear recovery by any other mode have been taken [Sec 216(1)]. A certificate under sub-section (1) may be forwarded to [Sec 216(2)]-

- ☐ the Tax Recovery Officer within whose jurisdiction the assessee carried on his business or the principal place of business of the assessee is situate; or
- ☐ the Tax Recovery Officer within whose jurisdiction the assessee resides or any movable or immovable property of the assessee is situate; or
- the Tax Recovery Officer who has jurisdiction in relation to the assessee whose income is assessable by the DCT forwarding the certificate.

Various Modes of Recovery of Tax

- ☐ Recovery of Tax by the Tax Recovery Officer [Section 217]
 - In the case of default in payment of tax by an assessee, the DCT may forward the case to the concerned Tax Recovery Officer (TRO) to recover the arrear tax specified in the certificate by one or more of the following modes, namely –
 - attachment and sale, or sale without attachment, of any movable or immovable property of the assessee;
 - arrest of the assessee and his detention in prison;
 - appointment of a receiver for the management of the movable and immovable properties of the assessee.
 - While recovering the arrear tax under above sub-section, the TRO may also recover in the same manner from the assessee in default, in addition to such amount, any cost and charges, including expenses of the service of any notice or warrant, incurred in the proceedings for the tax recovery in arrears.
 - The TRO may also forward the recovery certificate to other TROs, if necessary.
- ☐ Recovery of Tax through Collector of District [Section 220]
 - The DCT may forward the case of default by an assessee, to the collector of district in which the office of the DCT is situate or the district in which the assessee resides or owns property or carries on business or profession, a certificate under his signature specifying the amount of arrears due from an assessee, and the Collector, on receipts of such certificate, shall proceed to

- recover from usub powered the amount specified therein as if it were as Stangladeck Income Fax - Throng and Populary arried of land expense. If you can of the default tax, the Collector of District man
 - White Considerate after sometime to \$10 st of a family where exercises the service recall the certificate back from the Coffector of
 - Special angle remember culturescent
 - Other Mades Recording Section 22: New details and the next of a certificate for recovery of tax under section 216 to Nerwand the the sent of a section of Taxes may also recover the tax in the more have god in expression (2018: 3)]
 - For the purpose of receivers of tax payable by an assessee which is her her the purpose of any appellate forum, the DCT may, with the previous depend of appearance after giving the assessee an opportunity of heard stop movement of any goods and services from the business being neard sace mesessee and also shutdown such business premises till the presence of the tax referred to above or any satisfactory arrangement has beer made for the recovery of such tax $\{U \le 221(2)\}$
 - For the purposes of recovery of any tax payable by an assessee, the DCT may by monce in writing require any person [U s 221(3)]-
 - from whom any money goods is due or may become due to the assessee:
 - who holds or controls the receipt or disposal of, or may subsequently hold or control the receipt or disposal of, any money or goods belonging to, or on account of, the assessee,
 - who, on assessee's behalf, holds care or direct any asset of the assessee;
 - who, as an agent of the non-resident assessee, holds, or controls the receipt or disposal of or may subsequently hold, or control the receipt or disposal of any asset or goods belonging to, or on account of, the nonresident assessed
 - E who is responsible for payment of any sum to the assessee classifiable as meome of the assessee under the head "Employment";
 - when is responsible for payment of any sum to the assessee classifiable as magnitude of the assessed under the head "income from rent";
 - . A person who has paid any sum as required by sub-section (3) (a) shall be deemed to have paid such sum under the authority of the assessee and the receipt he the De I shall constitute a good and sufficient discharge of the rubins of such person to the assessee to the extent of the sum specified in the recespt (1 + 223/4)]
 - . If the person to whom a notice under sub-section (3) is sent fails to make passment or to make deductions in pursuance of the notice, he shall be deemed to be an assessee in default in respect of the amount specified in the notice and proceedings may be taken against him for realisation of the as if it were an arrear of tax due from him; and the provisions of this Chapter shall apply accordingly [U's 221(5)].



- (a) State the modes of tax recovery by TRO from an assessee in default.
- (b) Who will issue the Certificate of Recovery of Tax?
- The DCT may at any time amend or revoke any notice issued under subsection (3) or extend the time for making any payment in pursuance of such notice [U's 221(6)].
- who is responsible for supplying gas, electricity, water or any other services to disconnect or discontinue such supply within twenty one days from the date of receipt of such notice [U s 221(7)].
- . If the person to whom a notice under sub-section (6) is sent fails comply in pursuance of the notice, he shall be deemed to be an assessee in default and will be liable personally to pay the arrear of tax due from him [U/s 221(8)].
- Where u s 221(7), who is responsible for supplying gas, electricity, water or any other services to disconnect or discontinue such supply, shall reconnect such utility connection upon the approval of the DCT [U/s 221(9)].
- Where the Commissioner has directed that any arrears may be recovered by any process enforceable for the recovery of an arrear of any municipal tax or local rate imposed under any enactment in force in Bangladesh, the DCT may proceed to recover the amount due by such process [U/s 221(10)].
- The Commissioner may direct by what authority any powers/duties incident under any such enactment or the VAT and Supplementary Duties Act, 2012. the Customs Act, 1969 as aforesaid to the enforcement of any process for the recovery of a municipal tax or local rate shall be exercised or performed when that process is employed under the above sub-section [U/s 221(11)].
- ☐ Simultaneous Steps taken to recover taxes [Section 222] If any recovery process has taken under any prevailing Act or any provisions under this Act, it shall not become a barrier in taking any other steps to recover taxes under this Act or under the provisions of any any other Act.

16.8

REFUNDS

CLO 16.6

The provisions regarding entitlement to refund, claiming refund for deceased or disabled persons, and other related concerns of taxes refund are as follows:

- ☐ Entitlement to Refund [Section 224]: A person, who satisfies the income tax authority that he has paid more amount as tax than as it actually would be chargeable under the Ordinance, shall be entitled to a refund of any such excess. Where the income of the person is included under any provision of this Act in the total income of any other person, such other person alone shall be entitled to a refund under this chapter in respect of such income.
- Adjustment of Refund against Tax [Section 225]: Where under any provision of this Act, Income Tax Ordinance, 1984 or of the Gift-tax Act, 1963 or the Wealth-

	the amount in full or part against will be considered as the retund. person and such adjustment will be considered as the retund. person and such adjustment will be considered as the retund. person and such adjustment will be considered as the retund. Person and such adjustment will be considered as the retund. Person and such adjustment will be considered as the refund according to the bank account of the assessee, the assessee may claim the refund according to the bank account of the assessee, the assessee may claim the refund according to the specified rules. Person and section 227: Where the specified or Deceased or Disabled Persons [Section 227: Where the specified for the specified to him, his legal representative, or the unable to claim or receive any refund due to him, his legal representative, or the unable to claim or receiver, as the case may be, shall be entitled to claim or trustee, guardian or receiver, as the case may be, shall be entitled to claim or the benefit of such person or his estate. Person and the entitled to claim or the receive such refund of any assessment, etc., not to be questioned [Section 228]: In any claim Correctness of assessment, etc., not to be questioned [Section 228]: In any claim Correctness of validity of any assessment or other matter which has become final correctness or validity of any assessment or other matter which has become final correctness or validity of any assessment or other matter which has become final entitled to any relief on any such issue raised except refund of excess tax paid. Person and refund according to the refund of any amount order passed in appeal or other proceeding under this Act, refund of any amount order passed in appeal or other proceeding under this Act, refund of any amount order passed in appeal or other proceeding under this Act, refund of any amount order passed in appeal or other proceeding under this Act, refund of any amount order passed in appeal or other proceeding under this Act, refund of any amount order passed in ap
	order passed in appeal or other proceeding and the becomes due to an assessee, the Deputy Commissioner of Taxes shall, refund the becomes due to an assessee, the Deputy Commissioner of tax as per provisions amount, unless set off against tax or treated as payment of tax as per provisions amount, unless set off against tax or treated as payment of tax as per provisions amount, unless set off against tax or treated as payment of tax as per provisions amount, unless set off against tax or treated as payment of tax as per provisions amount, unless set off against tax or treated as payment of tax as per provisions amount, unless set off against tax or treated as payment of tax as per provisions amount, unless set off against tax or treated as payment of tax as per provisions amount, unless set off against tax or treated as payment of tax as per provisions amount, unless set off against tax or treated as payment of tax as per provisions amount, unless set off against tax or treated as payment of tax as per provisions amount, unless set off against tax or treated as payment of tax as per provisions amount, unless set off against tax or treated as payment of tax as per provisions amount, unless set off against tax or treated as payment of tax as per provisions.
NTS	
	Assessment is not mere calculation rather is a process
	The same of the sa
	Spot assessment is conducted by the DCT for an assessee, not a company, if not assessed earlier and carrying business or profession in any commercial market.
0	The DCT can conduct assessment after hearing (by sending a notice) where he has reason to believe that the return is false, incorrect or incomplete.
Г	DCT has discretion to make an assessment under best judgment procedure.
	Board or any authority authorized by the Board, may select and send any return
	u/s 180 or revised return to the concerned Tax Commissioner for audit purpose
- 1	If a person dies, his legal representative shall be liable to pay any tax which the
	deceased would have been liable to pay.

☐ The DCT may forward to the Tax Recovery Officer a certificate for recovery of

A person, who has paid more amount as tax than as it actually would be

chargeable under the ITA, 2023, shall be entitled to a refund of any such excess.

the tax from an assessee who is an assessee in default.

person and such adjustment will be considered as the refund.

MULTIPLE CHOICE QUESTIONS Which section of the ITA, 2023 has explained the provision Self-Assessment?

<u>!</u> .	If the assessment of DCT cannot follow	made by the DCT	results more tax	to be paid by	(d) 184 the assessee,	what action t
	(a) issue a demand (c) can call him/h			take legal action		

- 3. Assessee has no right to appeal against -(a) Provisional assessment (c) Best judgment assessment
- 4. Spot assessment is applicable for
- (b) Spot assessment (d) Assessment after hearing
- (a) Individual (b) Large Company 5. Who fix the amount of tax payable by an assessee?
- (c) Small establishment(d) HUF
- (a) Tax recovery officer (b) DCT
 - (c) Commissioner of taxes
- (d) Appellate tribunal
- 6. To whom notice is served in the case of a local authority or a company? (a) CEO
 - (b) Chairman (c) Lawyer
- (d) Principal officer 7. DCT should communicate tax liability in case of assessment after hearing within how many days with the assessee -
 - (a) 15 days
- (b) 21 days
- (c) 30 days
- (d) 45 days

- (a) Company
- (b) Individual
- 8. Assessment on the basis of report of a Chartered Accountant is applicable for -(c) Firm
 - (d) None
- 9. Where a refund due to an assessee is not paid within two months of the date of claim for refund, a simple interest will be payable to assessee at a simple interest rate of -
 - (a) 5%
- (b) 7.50%
- (c) 10%
- (d) 15%

- (a) 2
- (b) 3
- 10. Each investigating team for audit consists of minimum --tax inspector. (c) 5
- (d) 7

TRUE (T) OR FALSE (F) IDENTIFICATION

- 1. Assessment is done in the income year.
- 2. Audit is mandatory for Self-Assessment.
- 3. If a person dies, his legal representative shall be liable to pay any tax of him/her.
- 4. No suit shall be brought in any Civil Court to set aside or modify any assessment made under income tax ordinance.
- 5. Company can appeal only to commissioner (appeal).

OT OF OT OF DT DF

DT DF OT OF

MA

DISCUSSION QUESTIONS (DQ)

- DQ16.1 "Assessment cycle is the steps required to complete the full assessment process" explain.
- DQ16.2 Explain different types of assessment with reference to different section of ITA, 2023.
- DQ16.3 Make a comparative discussion among provisional assessment, assessment on the basis of return and best judgment assessment.

KEY POI

Bangladesh Income Tax - Theory and Practice

DQ16.4 What is self-assessment? Explain the procedure of self-assessment. DQ16.4 What is self-assessment? Explain the procedure of structure of the self-assessment has to be made? What is best judgment assessment? State a case best judgment assessment has to be made? What is best judgment assessment? For Hindu Undivided Family, Persone made? What is best judgment assessment? State a case of Undivided Family, Persons leaving What is the assessment procedure for Hindu Undivided Family, Persons leaving

DQ16.7 Explain the role of investigation team in audit under section 182.

DQ16.8 Write short note on:

□ Spot assessment □ Self-assessment

☐ Assessment after hearing

Explain various modes relating to recovery of tax. DQ16.9 Explain various modes relating to recovery of activities.

DQ16.10 "A person who paid more amount as tax than as it actually would be entitled to a refund of

any such excess" - explain.

ANSWERS

MULTIPLE CHOICE QUESTIONS												TRUE/F	ALS
MUL	IIPI	JE CI	1	5	6	7	8	9	10	1	2	3 4	-00
_1	2						d	b	a	F	F	TT	-,
а	d	a	С	b	a								_T

SELF - REVIEW 16.1

Spot assessment An assessee, other than a company, if not assessed earlier and carrying on any business or profession in any shopping centre or

commercial market or having a small establishment, the Deputy Commissioner of Taxes may fix the tax payable by him.

Assessment of deceased person

If a person dies, his legal representative shall be liable to pay and tax which the deceased would have been liable to pay.

Best judgment assessment

The two cases where a best judgment assessment has to be made are, where any person fails;

- (a) to file the return required by a notice under section 172 and has not filed a return or revised return under section 175; or
- (b) to comply with the requirements of a notice under section 172. 175, 183 (3) & (5), 193 or 212.

SELF - REVIEW 16.2

- 1. By TRO
 - attachment and sale, or sale without attachment, of any movable of immovable property of the assessee;
 - ☐ arrest of the assessee and his detention in prison;
 - appointment of a receiver for the management of the movable immovable properties of the assessee.
- 2. The DCT

Assessment of Individuals

"The income tax created more criminals than any other single act of government." - Barry Goldwater

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

CLO 17.1 understand assessment of an individual taxpayer

identify the scope of taxable income for an individual CLO 17.2 CLO 17.3

apply taxability on different income of an individual determine various heads of income for an individual

apply TDS on individual's taxable income CLO 17.5

CLO 17.6 list non assessable income

CLO 17.7 recall rebate on allowable investments

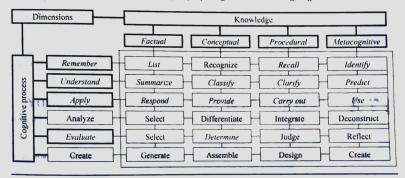
CLO 17.8 compute tax liability for an individual assessee

KEY TERMS

Employment, Securities, Other Rental Income. Agriculture. sources. Business, Capital gain, Financial assets, Investment allowance, Spouse or minor child. Foreign income, TDS, Partnership profit,

Bloom's Taxonomy

This chapter covers the entire knowledge dimension and different component from four levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



482

Step 3 Computing gross amount of tax liability at the prescribed rates.

CLO 17.1

17.2

17.4

Step 4. Determining total amount of tax-credit income/investment allowance. Step 5 Computing tax rebate at the prescribed rates on allowable investments.

An "individual" is the only human being among the assessees, enumerated in the Act An "individual" is the only human ocous and the Act.

The term includes both a male and female. Every individual has to pay tax on the total. The term includes both a male and remove the total income at the rate applicable for the assessment year. An assessee receives income in income in whatever are income at the rate applicable for the assessment of all incomes in whatever capacity he she various capacities and requires to pay tax on all incomes in whatever capacity he she various capacities and requires to pay and a Act. An assessee is required to pay tax on receives them, unless otherwise stated in the Act. An assessee is required to pay tax on receives them, unless otherwise states in that is deemed to accrue or arise to him/her the income earned and also on the income that is deemed to accrue or arise to him/her

Step 6: Compute net tax payable deducting tax rebate (step 5) and adjusting other relevant items, i.e., surcharge, TDS, advance payment of tax (if any).

17.2 CLO.

SCOPE AND SOURCES OF TOTAL INCOME

NON-ASSESSABLE INCOME FOR AN INDIVIDUAL

The total income of an individual assessee is to be computed following the provisions The total income of an individual ass. According to the ITA, 2023, the scope of total of the Income Tax Act (ITA), 2023, According to the ITA, 2023, the scope of total of the Income Tax Act (17A), control of the Income of a resident income varies by the residential status of an assessee. Total income of a resident assessee includes [section 26(1)]: 1. income received or deemed to be received in Bangladesh;

Income which are not included in the computation of total income of an assessee, are non-assessable income. These incomes are specified in Part 1 of the Sixth Schedule of the ITA, 2023 and some are specified in different SROs. They are exempted and excluded from the computation of total income and subject to conditions, limits and qualifications mentioned therein. List of these incomes applicable for an individual assesse is enumerated below.

☐ Income of employees of tax-exempt organizations under Treaty [Para 1]. ☐ Income of employees of Foreign Missions [Para 2]

income accrues or arises or deemed to accrue or arise in Bangladesh; and

☐ Pension from the government pension fund [Para 4]

3. income accrues or arises outside Bangladesh.

☐ Gratuity upto Tk. 2.5 crore from the government approved gratuity fund [Para - 5,

But for a non-resident, only the income received or deemed to be received and income accrues or arises or deemed to accrue or arise in Bangladesh is to be included in the total income. According to section 30 of the ITA, 2023, these incomes are classified and computed on the basis of seven sources. However, in the 'Specimen Form of Income Tax Return - IT GA (2023) indicates following 10 heads of income.

Receipt from recognized provident fund or approved superannuation fund or approved pension fund [Para 6] ☐ Payment received on Voluntary retirement [Para 8]

6. Income from Financial Assets 1. Income from Employment 7. Income from other sources

☐ Interest on pensioners' savings certificate, if the investment does not exceed Tk. 5

2. Income from Rent

☐ Special allowances or reimbursement of expenses to employees [Para 14]

trust or fund [Para 15]

- 3. Income from Agriculture 4. Income from Business
- 8. Share of income from Firm or AOP ☐ The portion of income received by a beneficiary of a trust or participant in a fund 9. Income from Minor/Spouse as part of the income of the trust or fund on which tax has been paid by the said

CLO

17.6

5. Capital Gain

- 10. Foreign Income

While computing the income under the above heads, provisions regarding set-off and carry-forward, clubbing of incomes, exemptions and allowable deductions are considered for computing total taxable income under various heads. If the amount of total income exceeds minimum non-assessable limit, an individual has to pay income tax on the basis of specified rates. For the assessment year 2023 24, the limit of nonassessable income is Tk. 350,000 (in case of women, elderly citizens of more than 65 years old Tk. 400,000; for third gender, disable handicapped person, the limit is Tk. 475,000 and for gazetted wounded freedom fighters Tk. 500,000).

☐ Income of a member of a Hindu Undivided Family (HUF), where tax is paid by the HUF [Para 16].

COMPUTATION OF TOTAL INCOME AND TAX LIABILITY 17.3

☐ Foreign Remittance through legal channel [Para 17] Income from Wage earners development bond, US dollar premium bond, US dollar investment bond, Euro premium bond, Euro investment bond, Pound sterling

In computing total income and tax liability for an individual assessee, following steps are required:

investment bond or Pound sterling premium bond [Para 18]. Any income of an indigenous hill-man of the hill districts Rangamati, Bandarban and Khagrachari, which has been derived solely from economic activities undertaken within the said hill districts (Para 19). ☐ Agricultural income upto Tk. 2 lac subject to fulfillment of certain conditions [Para

Step 1 Determining the residential status of the individual

☐ Any income from certain software and 1 l business subject to certain conditions [Para 21].

Step 2: Computing total income considering income under different heads after adjusting the exemptions and clubbing provisions

- Any income derived from the export of handicrafts [Para 22].
 - Manufacturing SME business income with yearly turnover not more that Tk. 50 lacs. The limit is Tk 70 lakh if the SME is owned by women (Para 24).

CLO

17.3

17.8

The arm from any position bond [para set] I team and a man position bond [para set] I team and a man position bond [para set] I team and a man position bond [para set] I team and a man position bond [para set] I team and a man position of a man position of clock the content para set [para set] I such a both the para set [para set] I such a man position of the set [para set] I such a man position of the set [para set] I such a man position of the set [para set] I such a man position of the set [para set] I such a man position of the set [para set] I such a man position of the set [para set] I such a para para motive control para set [para set] I the different para and monorcorrupt incomes like gift received by an individual like control para para motive certain para para motive set [para set] I to entire a man and monorcorrupt incomes like gift received on occasion bond to the above items annote them have been declared as even through SROs. In chapter 3 of the book, the details of those items have been explaint through SROs, in chapter 3 of the book, the details of those items have been explaint through SROs, in chapter 3 of the book, the details of those items have been explaint through sancting and monorcorrupt income on which a tax exemption of the reduced rate or monormum tax rate is applicable. I set of the		
### Samonal into the process of the Sixth Schedule. Part 3.1] ### Samonal into the process of the Sixth Schedule. Part 3.1] ### Samonal into the process of the Sixth Schedule. Part 3.1] ### Samonal into the responsible process of the Sixth Schedule. Part 3.1] ### Samonal into the responsible process of the Sixth Schedule. Part 3.1] #### Samonal into the responsible process of the Sixth Schedule. Part 3.1] ###################################		and front this are the heard "income
2. Standard and the start in th	Tarretter	American Posts (Lines Trucks of Truc
2. Standard and the start in th	Modumen	the property of the state of th
2. Standard and the start in th	ମ	THE MAN AND THE PROPERTY OF THE PARTY OF THE
2. Standard and the start in th	C	Name of the second liberal Library
2. Any oncome prising five in the execution Scheme [Para 34] 2. Any oncome prising five in the execution of the child if it appears in the relationary content and the recipient [Para 36] in the dome in the para and non-recurring incomes, like gift received on occasion of the para and non-recurring incomes, like gift received on occasion to marriage hirthday anniversally kift for personal relation and affection electromy in the para 3 of this book, the details of those items have been explaint through SR is in chapter 3 of this book, the details of those items have been explaint through SR is in chapter 3 of this book, the details of those items have been explaint through SR is in chapter 3 of this book, the details of those items have been explaint through SR is in chapter 3 of this book, the details of those items have been explaint through SR is in chapter 3 of this book, the details of those items have been explaint through SR is in chapter 3 of this book, the details of those items have been explaint through SR is in chapter 3 of this book, the details of those items have been explaint through SR is part stated and non-resident and non-resident Bangladeshi individual assessment within the scope of the such as papicable. 2. The control of the state of the such schedule, part 3, or 2. The control of the Sixth Schedule, the following items should be considered an assume that the control of the sixth Schedule, the following items should be considered an assume that of the sixth Schedule, the following items should be considered an assume that the following items should be considered an assume that of the sixth Schedule, the following items should be considered an assume to the sixth Schedule, the following items should be considered an assume to the sixth Schedule and the secset of the sixth Schedule, Part 3, or 2. The control of the sixth Schedule that d		Minter (Carl Carl)
2. Any oncome prising five in the execution Scheme [Para 34] 2. Any oncome prising five in the execution of the child if it appears in the relationary content and the recipient [Para 36] in the dome in the para and non-recurring incomes, like gift received on occasion of the para and non-recurring incomes, like gift received on occasion to marriage hirthday anniversally kift for personal relation and affection electromy in the para 3 of this book, the details of those items have been explaint through SR is in chapter 3 of this book, the details of those items have been explaint through SR is in chapter 3 of this book, the details of those items have been explaint through SR is in chapter 3 of this book, the details of those items have been explaint through SR is in chapter 3 of this book, the details of those items have been explaint through SR is in chapter 3 of this book, the details of those items have been explaint through SR is in chapter 3 of this book, the details of those items have been explaint through SR is in chapter 3 of this book, the details of those items have been explaint through SR is part stated and non-resident and non-resident Bangladeshi individual assessment within the scope of the such as papicable. 2. The control of the state of the such schedule, part 3, or 2. The control of the Sixth Schedule, the following items should be considered an assume that the control of the sixth Schedule, the following items should be considered an assume that of the sixth Schedule, the following items should be considered an assume that the following items should be considered an assume that of the sixth Schedule, the following items should be considered an assume to the sixth Schedule, the following items should be considered an assume to the sixth Schedule and the secset of the sixth Schedule, Part 3, or 2. The control of the sixth Schedule that d	C	stances to the fact of the state of the stat
Asserting animal processing period of child if it appears in the remainder a novement period of child if it appears in the remainder as publiform and the result of the state		
Takes the comment of the recipient [Para and the story of	T C	where the man the person pension about if it appears in the remaining
Assertings seed as a performance of the common part of the common and the recipient [Part of the second part of the common part	(7	Any morning index parter parters of China
17.5 As wards and manager in a castering TL contributions like gift received on occasional relation are as and manager incomes like gift received on occasional relation and affection elemanager birthday anniversally soft for personal relation and affection elemanager birthday anniversally soft for personal relation and affection elemanager birthday anniversally soft for personal relation and affection elemanager birthday anniversally soft for personal relation and affection elemanager birthday anniversally soft for personal relation and affection elemanager birthday anniversally soft for personal relation and affection elemanager birthday anniversally soft for personal relation and affection elemanager birthday anniversally soft for personal relations have been explaint through SRCs. In Chapter 3 of this book, the details of those steems have been explaint through SRCs. In Chapter 3 of this book, the details of the personal relationship and by a final burst end of the sixth Schedule. Part 3, or According to Part 3 of the Sixth Schedule, the following items should be considered investment allowance to enough the credit rebate facility. According to Part 3 of the Sixth Schedule, the following items should be considered investment allowance to enough the second the policy value. According to Part 3 of the Sixth Schedule, the following items should be considered investment allowance. Incomm Pard by a Hindred Tendity to effect an insurance of the threat of an insurance produce the same member of the third of any such member. Deduction from the salary of the comment employee for deferred annuity. As an according to the policy of the threat threat the provident Fund Act, 1925. And the product is an insurance product threat the provident fund. The product is an engage of the salary of the policy of the salary of the po	T T	an period by an individual to
The define and apply and exceeding to the state of the series of the addition to the above items, some more items, have been declared as even through SRON in Chapter 3 of this book, the details of those items have been explained through SRON in Chapter 3 of this book, the details of those items have been explained through SRON in Chapter 3 of this book, the details of those items have been explained through SRON in Chapter 3 of this book, the details of those items have been explained through SRON in Chapter 3 of this book, the details of those items have been explained through SRON in Chapter 3 of the shoot, the details of those items have been explained through SRON in Chapter 3 of the shoot, the details of those items have been explained through the shoot of the same of the shoot of t	to	Western the the thetal
17.5 17.5 17.5 17.6 17.6 17.6 17.6 17.6 17.7 17.6 17.7 17.6 17.7		the dence he not extendible
17.5 17.5 17.5 17.6 17.6 17.6 17.6 17.6 17.7 17.6 17.7 17.6 17.7	5	An amile the comes like gift received in occasion
to addition to the above items some more items have been declared as even through SRox to chapter 3 of this book, the details of those items have been explaint through SRox to chapter 3 of this book, the details of those items have been explaint through SRox to chapter 3 of this book, the details of those items have been explaint through SRox to chapter 3 of this book, the details of those items have been explaint through the second and non-resident Bangladeshi individes a second will pet tax rebute from the amount of tax payable on his total income. He assesses will pet tax rebute from the amount of tax payable on his total income. He assesses will pet tax rebute from the subject of the sixth schedule, and income on which a tax exemption of the sixth schedule, and the second and the second of the sixth schedule, and the second and the second three policy is the following items should be considered anxionate the interval of the sixth schedule, the following items should be considered anxionate that the sixth schedule, the following items should be considered anxionate the first of a sixth schedule, the following items should be considered anxionation from the salary of the policy value. According to that it of the salary of the policy value. The insurance from the salary of the policy value. Deduction from the salary of the tambly or the wife of any such member, on the life of any such member of the family to effect an insurance from the life of any such member. Deduction from the salary of the comment employee for deferred annuity. Assessment allowance is constituted that under the Provident Fund Act, 1925. It is more assessment and the provident funds under the Provident Fund Act, 1925. Assessment allowance is constituted until certificates as specified by NBR in Pank Constitute and the provident funds and the provident funds		nun-recurring the personal relation and affection etc.
to addition to the above items some more items have been declared as even through SRox to chapter 3 of this book, the details of those items have been explaint through SRox to chapter 3 of this book, the details of those items have been explaint through SRox to chapter 3 of this book, the details of those items have been explaint through SRox to chapter 3 of this book, the details of those items have been explaint through the second and non-resident Bangladeshi individes a second will pet tax rebute from the amount of tax payable on his total income. He assesses will pet tax rebute from the amount of tax payable on his total income. He assesses will pet tax rebute from the subject of the sixth schedule, and income on which a tax exemption of the sixth schedule, and the second and the second of the sixth schedule, and the second and the second three policy is the following items should be considered anxionate the interval of the sixth schedule, the following items should be considered anxionate that the sixth schedule, the following items should be considered anxionate the first of a sixth schedule, the following items should be considered anxionation from the salary of the policy value. According to that it of the salary of the policy value. The insurance from the salary of the policy value. Deduction from the salary of the tambly or the wife of any such member, on the life of any such member of the family to effect an insurance from the life of any such member. Deduction from the salary of the comment employee for deferred annuity. Assessment allowance is constituted that under the Provident Fund Act, 1925. It is more assessment and the provident funds under the Provident Fund Act, 1925. Assessment allowance is constituted until certificates as specified by NBR in Pank Constitute and the provident funds and the provident funds	1*	COMPANY AND MADERAL STATE OF THE PARTY OF TH
17.5 TAX-CREDIT INCOME/INVESTMENT ALLOWANCES TAX-CREDIT INCOME/INVESTMENT AND		
TAX-CREDIT INCOME/INVESTMENT ALLOWANCES TAX-CREDIT INCOME/INVESTMENT ALLOWANCES As per section "Red the 11A-2013" a resident and non-resident Bangladeshi individual assesses wife pet tay rebate from the amount of tax payable on his total income. However, wife pet tay rebate from the amount of tax payable on his total income. However, the pet tay rebate from the amount of tax payable on his total income. However, the pet tax rebate from the second of the Sixth Schedule. 15% on total amount of investment allowance or contribution made by the pet tax of the Sixth Schedule, Part 3, or 15% on total amount of investment allowance or contribution made by the pet tax of the Sixth Schedule, the following items should be considered an investment allowance to entow tax credit rebate facility. According to Part y of the Sixth Schedule, the following items should be considered investment allowance to entow tax credit rebate facility. According to Part y of the Sixth Schedule, the following items should be considered investment allowance provided to the assesses, spouse or minor child, provided investment allowance in part of the policy value. I the insurance Premium paid for the assesses, spouse or minor child, provided investment from the salary of the contribution to an entire of any such member.		trems some more fields thems have been explained
TAX-CREDIT INCOME/INVESTMENT ALLOWANCES TAX-CREDIT INCOME/INVESTMENT ALLOWANCES As per section "Red the 11A-2013" a resident and non-resident Bangladeshi individual assesses wife pet tay rebate from the amount of tax payable on his total income. However, wife pet tay rebate from the amount of tax payable on his total income. However, the pet tay rebate from the amount of tax payable on his total income. However, the pet tax rebate from the second of the Sixth Schedule. 15% on total amount of investment allowance or contribution made by the pet tax of the Sixth Schedule, Part 3, or 15% on total amount of investment allowance or contribution made by the pet tax of the Sixth Schedule, the following items should be considered an investment allowance to entow tax credit rebate facility. According to Part y of the Sixth Schedule, the following items should be considered investment allowance to entow tax credit rebate facility. According to Part y of the Sixth Schedule, the following items should be considered investment allowance provided to the assesses, spouse or minor child, provided investment allowance in part of the policy value. I the insurance Premium paid for the assesses, spouse or minor child, provided investment from the salary of the contribution to an entire of any such member.		addition to the above the book the details of
TAX-CREDIT INCOME/INVESTMENT As per section TR of the 11A 2013, a resident and non-resident Bangladeshi individual assesses with per tay rebate from the amount of tax payable on his total income. He assesses with per tay rebate from the amount of tax payable on his total income. He assesses with a tax exemption as the preduced rate or minimum tax rate is applicable, reduced rate or minimum tax rate is applicable. I see, on total amount of investment allowance or contribution made by the provided of the first of the Sixth Schedule, Part 3, or According to Part 8 of the Sixth Schedule, the following items should be considered investment allowance Premium paid for the assesses, spouse or minor child, provided maximum from well by the first of the policy value. I the insurance Premium Paid by a Hindu Undivided Family to effect an insurance on the first of an insurance of the tamily or the wife of any such member, on the first of any maximum troot well by a Hindu Undivided Family to effect an insurance of the first of the solution of the salaty of the common employee for deferred annuity. Deduction from the salaty of the common employee for deferred annuity. Assesses constitution to provident tands under the Provident Fund Act, 1925. I implicate the assessment of the salaty of the common troops are selected by NBR in Part Common and the common of the common conflictions of the common of the salaty of the	1	Section to Chapter Control
assesses wiff pet tay rebute from the amount of tay payabot assesses wiff pet tay rebute from the amount of tay payabot the "rebute amount shall be the lesser of the "rebute amount of total income excluding any income on which a tay exemption of the "rebute amount of the state is applicable, reduced rate or minimum tax rate is applicable, reduced rate or minimum tax rate is applicable, reduced rate or minimum tax rate is applicable. 15% on total amount of investment allowance or contribution made by a sessesse within the scope of the Sixth Schedule, Part 3, or 1 km (m) 000 (1 en l ac) According to Part y of the Sixth Schedule, the following items should be considered meeting allowance to contox tax credit rebute facility. According to Part y of the Sixth Schedule, the following items should be considered meeting allowance to considered the facility. According to Part y of the Sixth Schedule, the following items should be considered maximum throat with the minimum paid for the assesses, spouse or minor child, provided maximum throat with the facility of the policy value of the family of the wife of any such member, on the life of any maximum throat with the original maximum throat with the original part of the family or the wife of any such member, and the facility of the contribution to a Recognized Provident Fund		
assesses wiff pet tay rebute from the amount of tay payabot assesses wiff pet tay rebute from the amount of tay payabot the "rebute amount shall be the lesser of the "rebute amount of total income excluding any income on which a tay exemption of the "rebute amount of the state is applicable, reduced rate or minimum tax rate is applicable, reduced rate or minimum tax rate is applicable, reduced rate or minimum tax rate is applicable. 15% on total amount of investment allowance or contribution made by a sessesse within the scope of the Sixth Schedule, Part 3, or 1 km (m) 000 (1 en l ac) According to Part y of the Sixth Schedule, the following items should be considered meeting allowance to contox tax credit rebute facility. According to Part y of the Sixth Schedule, the following items should be considered meeting allowance to considered the facility. According to Part y of the Sixth Schedule, the following items should be considered maximum throat with the minimum paid for the assesses, spouse or minor child, provided maximum throat with the facility of the policy value of the family of the wife of any such member, on the life of any maximum throat with the original maximum throat with the original part of the family or the wife of any such member, and the facility of the contribution to a Recognized Provident Fund		-A non-resident Bangladeshi individual
assesses wiff pet tay rebute from the amount of tay payabot assesses wiff pet tay rebute from the amount of tay payabot the "rebute amount shall be the lesser of the "rebute amount of total income excluding any income on which a tay exemption of the "rebute amount of the state is applicable, reduced rate or minimum tax rate is applicable, reduced rate or minimum tax rate is applicable, reduced rate or minimum tax rate is applicable. 15% on total amount of investment allowance or contribution made by a sessesse within the scope of the Sixth Schedule, Part 3, or 1 km (m) 000 (1 en l ac) According to Part y of the Sixth Schedule, the following items should be considered meeting allowance to contox tax credit rebute facility. According to Part y of the Sixth Schedule, the following items should be considered meeting allowance to considered the facility. According to Part y of the Sixth Schedule, the following items should be considered maximum throat with the minimum paid for the assesses, spouse or minor child, provided maximum throat with the facility of the policy value of the family of the wife of any such member, on the life of any maximum throat with the original maximum throat with the original part of the family or the wife of any such member, and the facility of the contribution to a Recognized Provident Fund	48 6 1	TAX-CREDIT
assessee with per last years of the lesser of the "recome amounts" shall be the lesser of the "recome amounts" shall be considered and come excluding any income on which a tax exemption entered to the state of the state of applicable, reduced rate or minimum tax rate is applicable. 15%, on total amount of investment allowance or contribution made by the lessessee within the scope of the Sixth Schedule, Part 3, or assessee within the scope of the Sixth Schedule, Part 3, or 1k (control 000) [cont act) According to Part viol the Sixth Schedule, the following items should be considered investment allowance to considered and the second of the second of the assessee, spouse or minor child, provided invasionate through the two on the following items should be considered invasionate through the policy value. Life invariance Premium paid for the assessee, spouse or minor child, provided invasionate through the through the provided Family to effect an insumance of the invariance Premium Paid by a Hindu Undivided Family to effect an insumance of the invariance of the tamily or the wife of any such member, on the following items should be a possible to the tamily or the wife of any such member, on the salaty of concernment employee for deferred annuity. Deduction from the salaty of concernment employee for deferred annuity.	17.5	As per section "N of the amount of tax payable
the "rebate amount in come excluding any income on which the sequence of the sequence of the sequence of the sequence of contribution made by the sequence within the scope of the Sixth Schedule, Part 3, or assessed within the scope of the Sixth Schedule, Part 3, or assessed within the scope of the Sixth Schedule, Part 3, or assessed within the scope of the Sixth Schedule, Part 3, or assessed within the scope of the Sixth Schedule, Part 3, or assessed within the scope of the Sixth Schedule, the following items should be considered investment allowance to entoy tax credit rebate facility. According to Part 3 of the Sixth Schedule, the following items should be considered investment allowance to entoy tax credit rebate facility. If the trisurance Premium paid for the assessed, spouse or minor child, provided in natural to the instrument of the policy value. If the trisurance Premium paid for the policy value. If the trisurance Premium Paid by a Hindu Undivided Family to effect an instrument by the first of the tamily or the wife of any such member, on the life of an analysis of the tamily or the wife of any such member, on the life of the tamily or the wife of any such member, on the life of the tamily or the wife of any such member. If the trisurance Premium paid by a Hindu Undivided Family to effect an instrument by the life of the paid of the policy value. If the trisurance Premium paid to the assessed, spouse or minor child, provided in the policy value. If the trisurance Premium paid to the assessed, spouse or minor child, provided in the policy value. If the trisurance Premium paid to the policy value. If the trisurance Premium paid to the policy value. If the trisurance Premium paid to the sextence and the policy value. If the trisurance Premium paid to the policy value. If the trisurance Premium paid to the policy value. If the trisurance Premium paid to the policy value. If the trisurance Premium paid to the policy value. If the trisurance Premium paid to the policy value. If the trisuranc	110	substance will per tax remain make instead of
15%, on total amount of investment allowance or contribution made by assessee within the scope of the Sixth Schedule, Part 3, or assessee within the scope of the Sixth Schedule, Part 3, or assessee within the scope of the Sixth Schedule, Part 3, or assessee within the scope of the Sixth Schedule, the following items should be considered investment allowance to entoy tax credit rebate facility. 1 the distance Premium paid for the assessee, spouse or minor child, provided in nanoming front with 1. 10% of the policy value. 1 the Instrume Premium Paid by a Hindu Undivided Family to effect an insurance the life of an insurance of the lamb of the salary of the tamily or the wife of any such member, earth, the of an insurance of the lamb of the salary of toverment employee for deferred annuity. 1	17.5	Seminate associate associated which the seminate income our
15%, on total amount of investment allowance or contribution made by assessee within the scope of the Sixth Schedule, Part 3, or assessee within the scope of the Sixth Schedule, Part 3, or assessee within the scope of the Sixth Schedule, Part 3, or assessee within the scope of the Sixth Schedule, the following items should be considered investment allowance to entoy tax credit rebate facility. 1 the distance Premium paid for the assessee, spouse or minor child, provided in nanoming front with 1. 10% of the policy value. 1 the Instrume Premium Paid by a Hindu Undivided Family to effect an insurance the life of an insurance of the lamb of the salary of the tamily or the wife of any such member, earth, the of an insurance of the lamb of the salary of toverment employee for deferred annuity. 1	,	Te, of fulal lucome excusion rate is applicable.
According to Part s of the Sixth Schedule, the following items should be considered. According to Part s of the Sixth Schedule, the following items should be considered. It is a manufacture to entity tax credit rebate facility. It is a finance Premium pand for the assessee, spouse or minor child, provided an inaximum front with 1s. 10% of the policy value. It is a finance Premium Pand by a Hindu Undivided Family to effect an insume of the late of a finance member of the family or the wife of any such member, on the late of a finance member of the family or the wife of any such member, on the late of a finance member of the family or the referred annuity. Deduction from the salary of Conference employee for deferred annuity. Assessment concentral to the provident funds under the Provident Fund. Assessment concentral to the provident funds under the Provident Fund. Assessment concentral to the first conference of the first		madecial rate of minimum and attornance or contribution made by
According to Part v of the Sixth Schedule, the following items should be considered. According to Part v of the Sixth Schedule, the following items should be considered. In a construction of the Sixth Schedule, the following items should be considered. It the first and the state of the policy value. In the invariance Premium Pard by a Hindri Undivided Family to effect an insurance from the Internation Pard by a Hindri Undivided Family to effect an insurance on the Internation Premium Pard by a Hindri Undivided Family to effect an insurance on the Internation Pard by a Hindri Undivided Family to effect an insurance on the Internation Pard by a Hindri Undivided Family to effect an insurance on the Internation Pard by a Hindri Undivided Family to effect an insurance on the Internation Pard by the Ministry of the Internation Pard Internation Pa		12 15% on total amount of investment Schedule, Part 3; or
According to Part v of the Sixth Schedule, the following items should be considered investment allowanter to entoy tax credit rebate facility, investment allowanter to entoy tax credit rebate facility. Late insurance Premium paid for the assessee, spouse or minor child, provided maximum front with N. 10% not the policy value. Late insurance Decimient Paid by a Hindir Undivided Family to effect an insurance on the life of any maximum paid by a Hindir Undivided Family to effect an insurance of the family or the wife of any such member, on the life of any maximum ember of the family or the wife of any such member, on the life of the family or the wife of any such member. Deduction for the salaty of Cookerment employee for deferred annuity. Assessing constitution to for the salaty of Cookerment tunds under the Provident Fund Act, 1925. Late in the late of the salaty of Cookerment employee for deferred annuity. Assessing constitution to a Recognized Provident Fund. Late in the late of the salaty of Cookerment employee for deferred annuity. Late insurance in the salaty of Cookerment employee for deferred annuity. Late insurance in the salaty of Cookerment employee for deferred annuity. Late insurance in the salaty of Cookerment employee for deferred annuity. Late insurance in the salaty of Cookerment employee for deferred annuity. Late insurance in the salaty of Cookerment employee for deferred annuity. Late insurance in the salaty of Cookerment employee for deferred annuity. Late insurance in the salaty of Cookerment employee for deferred annuity. Late insurance in the salaty of Cookerment employee for deferred annuity. Late insurance in the salaty of Cookerment employee for deferred annuity. Late insurance in the salaty of Cookerment employee for deferred annuity. Late insurance in the salaty of Cookerment employee for deferred annuity. Late insurance in the salaty of Cookerment employee for deferred annuity. Late insurance in the salaty of Cookerment employee for deferred annuity. Late insuran		merchant within the series
According to Part v of the Sixth Schedule, the following items should be considered anxestment allowance to entoy tax credit rebate facility. If the financial Premium paid for the assessee, spouse or minor child, provided a maximum front with \$10° not the policy value. If the Institute I remium Paid by a Hindin Undivided Family to effect an institute of the of a maximum Paid by a Hindin Undivided Family to effect an institute of the first of a maximum Paid by a Hindin Undivided Family to effect an institute of the of a maximum Paid by a Hindin Undivided Family to effect an institute of the family or the wife of any such member, on the life of a maximum Paid by a Hindin Undivided Family to effect an institute of the original of the contribution to a Recognized Provident Fund Experiments of the contribution to a Recognized Provident Fund Experiments of the second part of the contribution of th		= 1. (c.m) 000 (ch f ac)
I de Austranic Premium paud for the assessee, spouse or minor child, provided naturanic Premium paud for the policy value		callowing items should be considered
I de Austranic Premium paud for the assessee, spouse or minor child, provided naturanic Premium paud for the policy value		A wearting to Patt s of the Sixth Schedule, the terror ing
Take Insurance Permitting paid for the policy value		and there allowance to enter tax credit reparts factory.
Deduction from the salary of the tamily or the wife of any such member, on the life of an max member of the tamily or the wife of any such member, on the life of an max member of the tamily or the wife of any such member. Deduction from the salary of tovernment employee for deferred annuity. Deduction from the salary of tovernment employee for deferred annuity. A such as a constitution to provident funds under the Provident Fund Act, 1925. I implies to a mechanistic scontinuation to a Recognized Provident Fund. A such as a decided in Succentinuation fund. Conversion in Succentinuation fund. Conversion in Succentinuation in the confidence of DPSI upto Tk. 120,000.		Description that it is a second of the secon
Use Insorance Fremum Paid by a fitting or the wife of any such member, english the of an small member of the family or the wife of any such member. Deduction from the salary of University temployee for deferred annuity. Deduction from the salary of University temployee for deferred annuity. Deduction to the salary of University temployee for deferred annuity. Later the salary of the salary of University temployee for deferred annuity. Later the salary of		The insurance of the policy value
Deduction from the salary of Universities the Provident Fund Act, 1925. Deduction from the salary of Universities the Provident Fund Act, 1925. Let A suppress constitution to a Recognized Provident Fund Let A suppress the suppress of t		maximum than by a Hindu Undivided Family to effect an insurance
Deduction from the salary of invertining implements from Act, 1925. A series condition to provident funds under the Provident Fund Life implicate and conditions contribution to a Recognized Provident Fund Life implicate and conditions and activation is under the Activation of the		The insurance of commercial the family of the wife of any such member.
Expression and of to provide it finds under the Provident Fund Expression and commons as sometiment of a Recognized Provident Fund Expression and common as the common transfer of the Point of Scheme (DPS) upto Tk. 120,000.		en the life of the man that the amount employee for deferred annuity
Expression of the control of the con		Deduction from the safaty of encertainty under the Provident Fund Act, 1925
Expression of the control of the con		Di A see a come that it to provident funds under the Provident Fund
Lower and the property of Schemication Fund Lower and Schemical Conference of PSI upto Tk. 120,000.		Li America characteristics and contribution to a recognition
The special and the state of th		
The special and the state of th		Longestion of New york tolicate unit confidence as specified by NDR
to be a stock exchange run under both		
The state of the city corporation		f in stock exchange run under both
1 Indiana 1 Strategy of the Color of the Col		Dimension to a mathe respiral situated in outside of the city corporation

D. Dominio . Their cations set up for the welfare of retarded people

Donation to government approved Fakat Fund
Contribution to Benevolent Fund and Group Insurance Schome
Contribution to Philanthropic or Educational Institution approved by the
government
Contribution to a national level institution set up in memory of liberation war
Contribution to a national level institution in memory of Father of the Nation.
Contribution to Ahsania Mission Cancer Hospital,
Contribution to ICDDRB,
Contribution to CRP, Shavar;
Contribution to Asiatic Society
Any other investment if specified by the NBR through SROs

17.6 GROSSING UP OF INCOMES

CLO 172

175

There are some incomes on which a certain percentage (in most of the cases, 10^{9} s) tax is deducted at source. To include those incomes in the total income, grossing up is necessary. The following formula is used to gross up the incomes:

Gross income Net income < [100 1 (100 Rate of tax deducted at source)]

	and the statement of th
Sor	ne of these incomes are as follows:
	Net interest received on Taxable Govt. Securities or debentures.
	Interest/Profit on bank deposits
	Dividend income.
	Interest on post office savings deposit

17.7 TAX COMPUTATION IN CASE OF FILING OF RETURN

CLO
Regarding Payment of Income Tax and Surcharge on or before the date of filing
return [Section 173]

Figure person who is required to file a return under section 166, 172, 175, 191, 193 or

Every person who is required to file a return under section 166, 172, 175, 191, 193 or 212 shall pay the tax payable on or before the date of filing of the return [Sec 173(1)]. The tax payable shall be calculated in accordance with A - B rules, where,

- □ A = tax payable by the taxpayer on the basis of the return or under the provisions of sub-section (5) of section 163, whichever is higher;
- ☐ B = Tax paid at source or advance tax as per the provisions of Part-7

The amount paid under sub-section (1) shall be deemed to have been paid as tax payable.

The amount paid under sub-section (1) shall be deemed to have been paid as tax payable. Bangladesh Income Tax - Theory and Practice The amount paid under sub-section (1) snarr tax. If any person, without reasonable cause by the taxpayer after assessment of regular tax. If any person, without reasonable cause by the taxpayer after assessment of regular tax. If any person, without reasonable cause by the taxpayer after assessment of regular tax. by the taxpayer after assessment of regular tax, (1), he shall be deemed to be a defaulting fails to pay the tax payable under sub-section (1),

Computation of Tax in case of Filing of Return after the Tax Day [Section 174]

Computation of Tax in case of Filing of Rectander section 166 fails to file the return life any such taxpayer who requires to file return under section under other new return that the return If any such taxpayer who requires to the liability arising under other provisions of within the Tax Day, without prejudice to the liability arising under other provisions of within the Tax Day, without prejudice to the liability arising under other provisions of within the Tax Day, without prejudice to the machine provisions of the tax payer shall be assessed and paid as following the formula, this Act, the tax of the tax payer shall be assessed and paid as following the formula, $A = B + (B - C) \times D \times 0.02,$

☐ A = Total amount of tax payaute,
☐ B = Total amount of tax the assessee would have paid if he had submitted the return

Tax Day, provided that the total income and shall be the tax exempted income shall be included in the total income and shall be by Tax Day, provided that

taxed at the regular rate, the shall not include any penalty or tax imposed or levied under this Act other than minimum tax, surcharge and simple interest,

than minimum (ax, such as C) paid by the taxpayer in the said income year, $\Box C = \text{Sum of advance tax and TDS paid by the taxpayer in the said income year,}$

D = Number of months determines as under, namely:The number of months after the expiry of the Tax Day which shall not exceed

a fraction of a month shall also be counted as a full 1 month.

EXHIBIT

Income Year: 2023 - 2024

Specimen form of computation of total income

	Assessment Year: 2024 - 2025	Income Year: 2023
Assessee:	National	e-4
Particulars of Income	01.11.10	

1. Income from Employment (annex Schedule 1)

2. Income from Rent (annex Schedule 2)

3. Income from Agriculture (annex Schedule 3)

4. Income from Business (annex Schedule 4)

5. Income from Capital Gain

Income from Financial Assets (Bank Interest, Dividend, Securities Profit etc)

Income from Other Sources (Royalty, License Fees, Honorarium, Govt. Incentive etc.)

Share of Income from Firm or AoP

9. Income of Minor or Spouse (if not Taxpayer)

10. Taxable Income from Abroad

11. Total Income (Aggregate of Serial 1 to 10)

Tax Computation	Taka
12. Gross Tax on Taxable Income	XX
13. Tax Rebate (annex Schedule 5)	X
14. Net Tax after Rebate (12 - 13)	X
15. Minimum Tax	X
16. Tax Payable (Higher of 14 and 15)	X
17. (a) Net Wealth Surcharge (if applicable)	XX
(b) Environmental Surcharge (if applicable)	XX >
8. Delay Interest, Penalty or any other amount	
Under Income Tax Act (if any)	
19. Total Amount Payable (16 + 17 + 18)	
Particulars of Tax Payment	Та
20. Tax Deducted or Collected at Source (attach proof)	
21. Advance Tax paid (attach proof)	
22. Adjustment of Tax Refund (mention assessment year(s) of refund)	
23. Tax Paid with this Return	_
24. Total Tax Paid and Adjusted (20 + 21 + 22 + 23)	_
25. Excess Payment (24 – 19)	_
26. Tax Exempted / Tax Free Income (attach proof)	

Calculation of Tax liability

	Tk.	Rates	Tk.
On first	350,000	0%	-
On next	100,000	5%	XX
On next	400,000	10%	XX
On next	500,000	15%	XX
On next	500,000	20%	XX
On remaining balance	XX	25%	XX
Total	XX		XX
Less: Tax rebate on income from partnership firm/AOP			(XX)
Less: Double taxation relief			(XX)
Less: Investment tax credit			(XX)
Net Tax Liability			XX
Add: Surcharge			XX
Less: Tax deducted at source/Advance taxes			(XX)
Less: Tax Refund adjustment			XX
Net Amount to be paid with Return			X

Notes:

1. In case of women, elderly citizens of more than 65 years old, the maximum non-assessable limit of total income is Tk. 400,000, for third gender and disable persons Tk. 475,000, and for gazetted wounded freedom fighters Tk. 500,000.

- 2. The parents / legal guardian of disable child / dependent will enjoy additional non-assessable income of The parents / legal guardian of disable child / dependent with collection of this benefit. Tk. 50,000 for each disable child / dependent. Among parents, only one will be eligible for this benefit. Tk. 50,000 for each disable child / dependent. Among parents, only one will be eligible for this benefit. Tk. 50,000 for each disable child / dependent. Among parents, and City corporation area): Tk. 4,000 (Other City 3. The minimum tax would be Tk. 5,000 (Dhaka & Chittagong City corporation area):
- Corporation area) and Tk. 3.000 (Other area).

 4. Individual assessee having net wealth exceeding Tk. 4 (four) crore as per wealth statement is liable to pay assessment year 2023 2024 surcharge is applied. Individual assessee having net wealth exceeding 18. 4 (1997) assessment year 2023 - 2024 surcharge is applicable as surcharge as per the Finance Act, 2023. For the assessment year 2023 - 2024 surcharge is applicable as

surcharge as po follows:	Net Wealth Amount	Rate
	Net Weath Amer	Nil
• Up to Tk.	4 crore Tore to Tk. 10 crore or, having multiple motor cars under Tore to Tk. 10 crore or, having multiple motor cars under	10%
one name	e or, having > 0000 1	20%
■ > Tk. 10	crore to Tk. 20 crore	30%
■ > Tk. 20	crore to Tk. 50 crore	35%
> Tk. 50	crore	

Additional 2.5% surcharge is applicable on a taxpayer's income from Cigarette, Biri, Jorda, Gul and other 5. Individual assessee having multiple motor cars has to pay an environmental protection surcharge from

the fiscal year 2023-24 according to the following rates:

the fiscal year 2023-21 december	Environmental protection surcharge
Nature of Motor Vehicle	
	Tk. 25,000
Upto 1500 cc or 75 kilowatt	A. A
Exceeding 1500 cc but not more than 2000 cc Exceeding 75 Kw but not more than 100 Kw	Tk. 50,000
	m 75 000
Exceeding 2000 cc but not more than 2500 cc Exceeding 100 Kw but not more than 125 Kw	Tk. 75,000
Exceeding 2500 cc but not more than 3000 cc Exceeding 125 Kw but not more than 150 Kw	Tk. 150,000
Exceeding 3000 cc but not more than 3500 cc Exceeding 150 Kw but not more than 175 Kw	Tk. 200,000
Exceeding 3500 cc or 175 Kw	Tk. 350,000
	e di la constanti di la consta

Note: Between two or more cars, the tax will be imposed on the higher CC car.



Gross up the following incomes:

- (a) Interest on taxable government securities Tk. 7,600 if TDS rate is 5%.
- (b) Interest on post office savings bank Tk. 9,000.

SOLVED PRACTICAL CASES (SPC)

ALLOWABLE INVESTMENTS, COMPUTATION OF NET TAX LIABILITY

From the following information calculate taxable income and tax liability of Mr. Anis for the current income year. He reported total net wealth of Tk. 2 crores at the end of the year. Mr. Anis also paid advance tax of Tk. 30,000 when renewed papers of his personal car. In the previous year, Mr. Anis paid Tk. 20,000 excess tax than required.

Income data: Income from employment Tk. 1,050,000; from rent Tk. 360,000; from agriculture Tk. 80,000; from business Tk. 525,000; capital gain Tk. 20,000; from financial assets Tk. 65,000; and income from other sources Tk. 45,000. Total tax deducted from relevant sources during the year is Tk. 69,490.

Investments and expenses data: Insurance premium - own (policy value Tk. 820,000) Tk. 80,000 and spouse (policy value Tk. 500,000) Tk. 55,000; deposited to pension scheme per month Tk. 2,000; educational expense of son Tk. 84,000; household expenses Tk. 158,000; donated to recognized fund Tk. 100,000; purchase of savings certificate Tk. 40,000; purchase of treasury bond Tk. 25,000; purchase of magazines and books Tk. 4,500; purchase of 10% debenture Tk. 10,000 (through IPO); donated to: Muktijuddho Jadughar Tk. 45,000, recognized high school Tk. 30,000, a local sporting club Tk. 10,000, a local Orphanage Tk. 15,000, recognized welfare fund Tk. 3,600, government zakat fund Tk. 15,000; gift to wife Tk. 25,000; purchased share of an unlisted company, a co-operative society, a private limited company, a registered partnership firm, primary share of a listed company, and a listed company from Dhaka Stock Exchange for Tk. 25,000, Tk. 10,000, Tk. 5,000, Tk. 3,000, Tk. 15,000, and Tk. 30,000; donated to Bangladesh Sports Development Council Tk. 8,000; donated to president's relief fund Tk. 50,000; advance payment for expenses Tk. 10,000; and purchase of a desktop computer Tk. 45,000.

Assessee: Anis	Assessment Year: 2024 - 2025	Income Ye	ear: 2023 – 2024
Particulars of Total Income		Section	Amount
Income from employment		32	Tk. 1,050,000
Income from rent		35	360,000
Income from agriculture		40	80,000
Income from business		45	525,000
Capital gain		57	20,000
Income from financial assets		62	65,000
Income from other sources		66	45,000
Total income	· j		Tk. 2,145,000
Tax computation and Payment			
Gross tax before tax rebate (working	gs)		Tk. 293,750
Less: Tax rebate (Schedule 5)			64,350
Net tax after tax rebate (a)	χ. 0		229,400

Minimum tax (b) Net amount payable [higher of (a) and (b)] Add: Surcharges – Net Wealth Surcharge (N/A)	_	5,00 ₀ 229,40 ₀
		1
Add: Interest, fine, or any other payment under 1773, 2		229,400
Total Amount Payable		1
Less: Payments -	Tk. 69,490	
a. Tax deducted or collected at source	30,000	
	20,000	
b. Advance tax paid c. Adjustment of tax refund (if any, mentioning the year)	109,910	
d. Amount paid with return [Balancing 1 igure]		Tk. 220 40-
Total amount paid and adjusted (a + b + c + d)		Tk. 229,400
Deficit or excess		1 K.
Deficit of vitass		

	redule 5	Aı	mount
Pai	rticulars of tax credit/rebate	Tk.	80,000
1.	Insurance premium – own (maximum limit: 10% of Tk. 820,000)		
2.	Insurance premium – spouse (maximum limit: 10% of Tk. 500,000)		50,000
3.	Deposit pension scheme (2,000 X 12)		24,000
4.	Donation to recognized fund		100,000
5.	Purchase of savings certificate		40,000
5.	Purchase of Treasury bond		25,000
7.	Purchase of debenture through IPO		10,000
8.	Donation to Muktijuddho Jadughar		45,000
9.	Donation to recognized high school		30,000
10.	Donation to recognized welfare fund		3,600
	Donation to government zakat fund		15,000
	Purchase of listed company's primary share		15,000
	Purchase of listed company's shares from DSE		30,000
	Donation to president relief fund		50,000
Γot		Tk.	517,600
			75

Tax Rebate A: 3% of total income*

(Tk. 2,145,000 @ 3%)

Tk. 64,350 Lower of Tk. 77,640 A, B, and C, Tk. 1,000,000 i.e., Tk. 64,350.

Workings: Computation of gross tax liability

.,	go. compani	0, 5, 0.55	and madning				t
	On first Tk.	On next Tk.	Total (Tk/)#				
	350,000	100,000	400,000	500,000	500,000	295,000	2,145,000
Rate	@ 0%	@ 5%	@ 10%	@ 15%	@20%	@ 25%	
Tax	-	5,000	40,000	75,000	100,000	73,750	293,750

Notes: (1) Surcharge is applicable if net wealth worth above 4 erore. (2) It is assumed that incomes from different sources represents taxable income from those heads. (3) Donation to any recognized area is allowable investment.

(4) Personal expenses and gifts are not allowable for tax credit (5) It is assumed that the capital gain was realized within five years from the date of asset acquisition. Thus, it was taxed applying regular rates.



INCOME FROM DIFFERENT SOURCES, TDS, MINIMUM TAX

Mr. Noman is an executive of a Dhaka based organization. Details of his income for the current income year is provided below to compute his net tax liability for the year.

- ☐ Income data: Mr. Noman received basic salary (BS) Tk. 8,000 per month, house rent allowance 62.50% of BS, conveyance allowance 12.50% of BS, mobile bill allowance Tk. 500 per month, two festival bonus each equal to Tk. 10,000, commission Tk. 22.000 and overtime allowance Tk. 30,000 for the year. His income from a sole proprietorship business is Tk. 168.000, dividend from a limited company Tk. 5,400, interest from bank deposit Tk. 9,000, and interest from debentures Tk. 7.600.
- □ Investments and expenses data: Life insurance premium paid Tk. 20,000 (policy value Tk. 200,000), purchased furniture for Tk. 15,000, and made a gift to wife Tk. 20,000. He investment Tk. 60,000 in primary shares of a listed companies and Tk. 30,000 in savings certificate. He also donated Tk. 30,000 to Apollo hospital, Tk. 2,000 to a local club, Tk. 5,000 to a local mosque, Tk. 5,000 to government zakat fund, and Tk. 10,000 to a charitable hospital.

Assessee: Noman	Assessment Year: 2024	- 2025	Income Year	: 2023 – 2024
Calculation of taxable income		Amount	Amount	Amount
0 F	etion 32)			
Basic salary (8,000 × 12)		Tk. 96,000 60,000		
House rent allowance (62.50%	ot BS)	12,000		
Conveyance allowance (12.509) Mobile bill allowance (500 × 1	% of BS) (2)	6,000		
Festival bonus (10,000 × 2) Overtime allowance		30,000		
Commission		22,000	Tk. 246,000	
Total income from employmer Less: Exempted – Lower of 1/ i.e. (Tk. 246,000 ÷ 3) = Tk. 82	3rd of total salary income	:	82,000	Tk. 164,000
Income from Business (section Income from sole proprietors)	nip business			168,000
3. Income from financial assets Dividend income (5,400 × 10	0 ÷ 90)		Tk. 6,000	
Bank interest (9,000 × 100 ÷	90)		8,000	24,000
Interest from debentures (7,6)	00 × 100 ÷ 33)			Tk. 356,000
Total taxable income				49

B. 15% on total investment allowance (Tk. 517,600 @ 15%)C. Tk. 1.000.000

^{*} excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable

Tax computation and Payment Gross tax before tax rebate (workings) Less: Tax rebate (Schedule 5) Net tax after tax rebate (a) Minimum tax (b) Net amount payable [higher of (a) and (b)] Add: Surcharges Net Wealth Surcharge (N/A) Environmental Surcharge (N/A) Add: Interest, fine, or any other payment under ITA, 2023 Total Amount Payable (note 1)	Tk.	<u>.</u>	Tk.	300 10,680 (10,380) 5,000 5,000
Less: Payments – a. Tax deducted or collected at source (note 2) b. Advance tax paid c. Adjustment of tax refund (if any, mentioning the year) d. Amount paid with return [Balancing Figure] Total amount paid and adjusted (a + b + c + d) Deficit or excess Tax exempted income	Tk.	2,000	Tk.	5,000

Scl	hedule 5		 	
Pa	rticulars of tax credit/rebate			Amount
1.	Life insurance premium	Jul 1		Tk. 20,000
2	Share purchase		* - * - * - * - *	60,000
3.	Investment in savings certificate			30,000
4.	Donation to charitable hospital			10,000
5.	Donation to Zakat fund			5,000
Tot	al		f	Tk. 125,000

Tax Rebate

A.	3% of total income*	(Tk. 356,000 @ 3%)	Tk.	10,680	Lower of
B.	15% on total investment allowance	(Tk. 125,000 @ 15%)	Tk.	18,750	A, B, and C,
C.	Tk. 1,000,000		Tk. 1	,000,000	i.e., Tk. 10,680

^{*} excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable

Workings: Computation of gross tax liability

	On first Tk. 350,000	On next Tk. 6,000	Total Tk. 356,000
Rate	@ 0%	@ 5%	-
Tax (Tk.)	•	300	300

Notes: (1) Since his calculated tax liability is negative but has taxable income, he has to pay minimum amount of tax. (2) Tax deducted at source includes Tk. 400 on debenture interest, 1,000 on bank interest, and Tk. 600 on dividend.

SPC 17.3

PARTIAL AGRICULTURAL INCOME, TDS

Mr. Akram is an executive of a private firm. Compute his taxable income and tax liability for the current income year considering actual allowable investment of Mr. Akram for the income year was Tk. 150,000. His sources of income include:

- □ Basic salary (BS) Tk. 33,000 per month; festival bonus equivalent to two months BS; house rent allowance Tk. 15,000 per month; entertainment allowance @ 5% of BS; medical allowance Tk. 3,800 per month (actual annual expense Tk. 18,000); conveyance allowance Tk. 1,500 per month; contribution to recognized provident fund both by employee and employer @ 10% of BS.
- ☐ Sale of crops Tk. 150,000, tea Tk. 80,000, fish of pond Tk. 170,000.
- □ Interest on fixed deposit Tk. 27,000; dividend received Tk. 9,000; and income from lease of non-agricultural land Tk. 40,000.
- ☐ His net wealth amount during the year was Tk. 5 crore.
- ☐ TDS on salary Tk. 12,000.

Ass	essee: Akram	Assessment Year: 2024	-2025	Income Year:	2023 – 2024
Con	nputation of taxable income		Amount	Amount	Amount
1.	Income from Employment (se	ction 32)			
	Basic salary (33,000 × 12)		Tk. 396,000		
	Festival bonus (33,000 × 2)		66,000		
	House rent allowance (15,000	× 12)	180,000	11411	1000
	Entertainment allowance (5%	of BS)	19,800		
	Medical allowance (3,800 × 1		45,600		
	Conveyance allowance (1,500		18,000		
	Employer's contribution to R	PF ·	39,600		
	• •			Tk. 765,000	1 4
	Less: Exempted - Lower of 1	/3rd of total salary income			
	[i.e. $(Tk. 765,000 \div 3) = Tk. 2$	255,000] and Tk. 450,000		255,000	Tk. 510,00
2.	Income from Agriculture (sec			1	
	Sale of crops			Tk. 150,000	
	Income from sale of tea (60%) 2		48,000	
	,			198,000	
i.	Less: admissible expenses - I	Production cost (note 3)		90,000	108,00
3.	Income from Business (section				
	Income from sale of tea (40%				32,00
4.	Income from financial assets	(section 62)	Since the	or v	-
	Interest from fixed deposit (2	7,000 × 100 ÷ 90)		Tk. 30,000	Jan 1 1
	Dividend income (9,000 × 10			10,000	40,0
5.	Income from other sources (s				3
	Income from sale of fish of p			Tk. 170,000	-
	Lease of nonagricultural land			40,000	210,0
~	tal taxable income	· ·			Tk. 900,0

Workings 1 Computation of gross tax liability

Fre TS c: 0000	On next TA 106,968	On next Tk. 400,000	56,000	900,000
 #4	± 500€	# 10°+ 46,000	@ 15% 7,500	52.500

The second of the second

a St. of the second	TE 900,600 is 3%)	Tk 27,000	Lower of
B of the second	-	Tk 22,500	A. B. and C,
T TE SOLVAN		Tk. 1,000,000	i.e., Tk. 22.500

^{*} excluding income on which y has exempted in a reduced rate or minimum tax rate is applicable

Normally Normally - acressme the worth with anxiet Cap Production cost is admissible a 60° of site of step 3 of administration records to 100 or salary \$100 on bank enterest, and Tk. 1,000 on dividend



CAPITAL GAIN, WACANCY ALLOWANCE

an oute to an income to be design Zakaria Rahman for the current income year respect to the respect to the magnetic the year.

The second of the second per month, dearness allowance Tk. 2,000 per month, medica a material is 1856 per month rent free accommodation (annual rent) companies and companies at the of BS. He has also been provided with a 1500st STATE OF

- Prof. Rahman has a house at Barrani consisting of four fluts. The whole house has been let out to an advertising firm (or TV: 60 000) per month. The municipal value of the house is Tk. 600/000. Expenses relating to the house are for the year includes repair and maintenance expenses Ta. 225,000 collection charge Tk. 2,000 per month, municipal tax Tk. 19 000. WASA charge Tk. 9 000, interest on borrowed capital Tk 6,000 insurance premsum paid Tk 8,000. One of the flats remained vacant for two months during the year with proof
- ☐ He received profit from a partnership firm Tk. 250,000; interest on bank deposit Tk. 9.000; honorarium as visiting faculty of AIUB for a semester (4 months semester) Tk. 15,000 per month, income from lease of agricultural land Tk. 35,000 He generated capital gain of Tk. 80,000 by sale of a public limited company's share and Tk. 200,000 by sale of his personal motor car.

Assessee: Zakaria Rahman Assessment Year		ir: 2024 - 2025	- 1	ncome Year	r: 2023 - 202 4
Calculation of taxable income	!	Amount	Ar	nount	Amount
1. Income from Employment	(section 32)				
Basic salary (60,000 × 12))	Tk. 720,000			
Dearness allowance (2,000	0 × 12)	24,000			
Medical allowance (2,500	× 12)	30,000			
Rent free accommodation		300,000			
Employer's contribution to	RPF	72,000			
Car facilities (monthly @	Tk. 10,000)	120,000	Tk. I	,266,000	
Less: Exempted income (r	note 1)			422,000	Tk. 844,000
2. Income from Rent (section	1 35)				
Actual rental value (ARV:	60,000 × 12)	Tk. 720,000			
Municipal value (MV)		600,000			
Annual value (AV: higher	of ARV and MV)	720,000			
Vacancy Allowance (note	2)	(30,000)			
Total Rental Value (TRV)			Tk.	690,000	
Less: Admissible expense	5				
Repair & maintenan	ce (30% of TRV)	Tk. 207,000			
Municipal tax		10,000			
Interest on borrowed	capital	6,000			
Insurance		8,000		231,000	459,00
3. Income from Agriculture	(section 40)				
Income from lease of agri	cultural land				35,00
4. Capital Gain (section 57)					
Sale of Share			Tk.	80,000	
Less: exemption (full)				80,000	
5. Income from financial ass	ets (section 62)				
Interest on bank deposit (9,000 × 10 ÷ 9)				10,00
6. Income from other source					
Honorarium as faculty (1:					60,00

2. Share of Profit in a Partnership Farm

250,000 Tk. 1,658,000

Total taxable moveme

Notes: (1) I concer of 1.3 - of norm salary income [s.c. (1), 12,66 (000 - 3) - 13, 422,000] and 13, 450,000 (2) Vacanes Notes: (1) Force of 1.3 of rotal salary income (see (1) Food 20,000 4 + 2 - 12) (3) No capital gain is considered allowance is for an income of the vacant portion computed as (720,000 4 + 2 - 12) (3) No capital gain is considered for personal property \(\sigma_{\text{optime}} \) gair by sak of personal motor car need not to be disclosed



SALARY SCALE, CONCESSIONAL ACCOMMODATION, WEALTH SURCHARGE

Mi. R. Sarkar is a professor. His particulars for the current income year are: He received basic salary (BS) of Tk. 40,000 in the first month of the income year under the salary scale 36,000 4,000 56,000. Date of annual increment of his salary is 1st December He is entitled to receive 10% of BS as medical allowance, 5% as dearness allowance and Tk. 2,000 per month as conveyance allowance. He received two festival bonusee during the year (each equal to one month's BS), both bonuses were received after increment of the year. He is also entitled to receive concession rate accommodation (annual rental value Tk. 240,000) and a 1700cc full-time car. His employer charged him Tk 3,000 per month for the accommodation facility. He and his employer contribute 10% of his BS to the recognized provident fund. TDS on Salary Tk. 24,000

During the year Mr. Sarkar generated income from the sale of Jute Tk. 50,000 and sale of rice Tk. 300,000. He failed to show any record relating to production cost but claimed repair of agricultural equipment Tk. 7,000; land development tax Tk. 2,000; allowable depreciation Tk. 10,000; and cultivation cost Tk. 60,000 as production cost.

His other particular of income includes, share of profit from partnership firm Tk. 80,000; losses from sole proprietorship business Tk. 7,300; honorarium received by writing articles in newspaper Tk. 9,000; income from mooring terminal Tk, 1,400; dividend received Tk. 28,800; and interest on bank deposit Tk. 3,870. Mr. Sarkar made and incurred the investments and expenses during the said year for; life insurance premium paid Tk. 60,000 (policy value Tk. 500,000); donation to employee's welfare fund Tk. 10,000, share purchase through IPO Tk. 60,000 and from DSE 20,000; donation to religious institutions Tk. 5,000, to government Zakat fund Tk. 16,000, and DPS monthly a Tk. 15,000; purchase of gold Tk. 20,000 and contribution to group insurance Tk. 2,000. Calculate taxable income and net tax liability for Mr. Sarkar assuming that during the income year his total net asset amount is Tk. 10.5 crore.

Income from Employment (Schedule 1) Income from Agriculture (section 40) Suite of Jule Suite of rice Less admissible expenses (350,000 x 600)	Assessme Assessme		: 2024 - 2025	Income Year	r: 2023 - 202
Some of Jute Sole of Frice Tk. 50,000 Tk. 350,000 Tk. 350,000			Amount	Amount	Amount .
less admissible expenses (350,000 + 60%) 300,000 Tk. 350,000	income from Agriculture Sale of Jute	section 40)	Tk. 50.000		Tk. 714,00
210,000		(350,000 × 60%)	,	Tk. 350,000 210,000	

3.	Income from Business (section 45)				
	Losses from sole proprietorship business				(7,300)
4:	Income from Financial Assets (section 62)				(7,300)
-11	Dividend (28,800 × 100 + 90)	conti			
	Interest on bank deposit $(3.870 \times 100 \pm 90)$	Tk.	32,000		36,300
5.	Income from other sources (section 66)		4,300		30,300
97.1	Income from writing article in newspaper	OP1	0.000		
	Income from mooring terminal	Tk.	9,000		10,400
6.	Share of Profit in a Partnership Firm		1,400		80,000
	al taxable income			771.	
100	ui (a			IK.	973,400
Tax	computation and Payment				
	oss tax before tax rebate (workings)			Tk.	63,510
	s: Tax rebate (Schedule 5 and note 2, i.e., Tk. 29,202 + Tk. 5,216)				34,418
	tax after tax rebate (a)				29,092
	nimum tax (b)				5,000
	amount payable [higher of (a) and (b)]				29.092
	d: Surcharges – Net Wealth Surcharge (29,092 × 20%)				5,818
	d: Interest, fine, or any other payment under ITA, 2023				-,
	al Amount Payable				34.910
-	s: Payments –				2.,,,,
2300	a. Tax deducted or collected at source	Tk	27,630		
	b. Advance tax paid				
	c. Adjustment of tax refund (if any, mentioning the year)		_		
	d. Amount paid with return [Balancing Figure]		7,280		
Tot	al amount paid and adjusted $(a + b + c + d)$				34,910
	ficit or excess			Tk.	
	exempted income				357,000
	- compress meaning				

Schedule 1

Seneumic 1			-1
Particulars of Income from Employment	A	mount	Amount ;
Basic salary $[(40,000 \times 5) + (44,000 \times 7)]$	Tk.	508,000	
Medical allowance (508,000 × 10%)		50,800	
Dearness allowance (508,000 × 5%)		25,400	
Conveyance allowance (2,000 × 12)		24,000	
Festival bonus (44,000 × 2)		88,000	
Conveyance facilities (10,000 × 12)		120,000	
Concession rate accommodation (note 5)		204,000	
Employer's contribution to RPF		50,800	
Total salary received			Tk. 1,071,000
Less: Exempted (as per Part 1 of 6th Schedule) - Lower of 1/3rd of total			
salary income i.e. $(Tk. 10,71,000 \div 3) = Tk. 357,000$ and $Tk. 450,000$			357,000
,			Tk. 714,000

Schedule 5	Amount
Particulars of tax credit/rebate	771
1. Life insurance premium (Max limit 10% of PV)	50,000
2. Contribution to welfare fund	10,000
3. Share purchase	80,000
Donation to zakat fund	16,000
5. DPS (Max Tk. 120,000)	120,000
6 Group insurance premium	2,000
Employer & Employee's contribution to RPF (50,800 × 2)	101,600
Total	Tk. 379,600

Total				Tk. 379,6
Tax Rebate				
A. 3% of total income*	(Tk. 973,400 @ 3%)	Tk.	29,202	Lower of
B. 15% on total investment allowance	(Tk. 379,600 @ 15%)	Tk.	56,940	A, B, and C,

^{*} excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable

Workings: Computation of gross tax liability

C. Tk. 1.000,000

	On first Tk. 350,000	On next Tk. 100,000	On next Tk. 400,000	On next Tk. 123,400	Total (Tk.) 973,400
Rate	@ 0%	@ 5%	@ 10%	@ 15%	
Tax	•	5,000	40,000	18,510	63,510

Notes: (1) As proper books of account have not been maintained by the assessee, 60% of sales proceeds is treated as admissible expense. (2) On the profit from partnership firm, rebate is allowable at an average rate which is 6.52% [63.510 - 9.73.400 × 100]. Therefore, total rebate is Tk. 5.216 [80.000 × 6.52%]. (3) Tax deducted at source includes Tk. 24.000 on salary, Tk. 3.200 on divided income and Tk. 430 on interest on bank deposit. (4) 20% surcharge on tax for the wealth of Tk. 10.5 crore (29.092 × 20%) has been charged. (5) Income from concessional accommodation is Tk. 240.000 less employee's contribution Tk. 36.000.

SPC 17.6

INCOME FROM TOBACCO BUSINESS, RETURN SUBMISSION AFTER TAX DAY

Tk. 1,000,000

i.e., Tk. 29,202

Calculate taxable income for Mr. Zakaria Rahman (66 years old) for the current income year considering the following details of his income for the year.

- Income from Employment Tk. 600,000 (including employer's contribution to RPF Tk. 20,000); after deducting the exempted amount of Tk. 300,000.
- ☐ Rental Income Tk. 300,000;
- ☐ Income from Agriculture Tk. 300,000;
- ☐ Income from Tobacco Manufacturing Business Tk. 200,000;
- ☐ Income from financial assets (Interest on Sanchaypatra Tk. 40,000)
- ☐ Income from other sources (Sale of tree) Tk. 60,000
- Mr. Rahman made and incurred the investments and expenses during the said year for: life insurance premium paid Tk. 60,000 (policy value Tk. 500,000); Purchase of Savings Certificate Tk. 600,000; and DPS monthly @ Tk. 12,000:
- ☐ He paid Tk. 5,000 excess tax in the previous assessment year.

□ During the income year his total net asset amount is Tk. 4.5 crore; and TDS on salary and sanchaypatra interest Tk. 10,000 and Tk. 4,000 respectively.

Calculate taxable income and net tax liability for Mr. Sarkar (a) assuming that he has submitted tax return within the Tax Day; (b) assuming that he has submitted tax return after the Tax Day on March 26, 2025.

Assessee: Zakaria Rahman	Assessment Year: 2024 - 2025	Income Year	r: 202	3 - 2024
Particulars of Total Income		Section	Ar	nount
Income from employment		32	Tk.	600,000
Income from rent		35		300,000
Income from agriculture		40		300,000
Income from Business		45		200,000
Income from financial assets		62		40,000
Income from other sources		66		60,000
Total income			Tk.	1,500,000
If return is submitted within Tax	Day:			
Tax computation and Payment				
Gross tax before tax rebate (working	gs l)		Tk.	193,000
Less: Tax rebate (Schedule 5)				43,800
Net tax after tax rebate (a)				149,200
Minimum tax (b)				5,000
Net amount payable [higher of (a)	and (b)]			149,20
Add: Surcharges –				
Net Wealth Surcharge (10% of	of Tk. 149, 200)	Tk. 14,920		
Surcharge on Tobacco Incom	e (2.5% of Tk. 200,000)	5,000		19,92
Add: Interest, fine, or any other pay	ment under ITA, 2023			
Total Amount Payable				169,12
Less: Payments -				
a. Tax deducted or collected	d at source	Tk. 14,000		
b. Advance tax paid		-		
c. Adjustment of tax refund	(assessment year 2023 - 2024)	5,000		
d. Amount paid with return	[Balancing Figure]	150,120		
Total amount paid and adjusted (a	+b+c+d)			169,12
Deficit or excess			Tk.	
Tax exempted income			Tk.	300,00
			_	

If return is submitted after Tax Day:

If the return is submitted after tax day, the tax exempted income shall be included in the total income and shall be taxed at the regular rate. So now the total taxable income will be Tk. 15,00,000 + Tk. 300,000 = Tk. 18,00,000.

Tax computation and Payment			Tk.	246,000
Gross tax before tax rebate (workings 2)				
Less: Tax rebate (not allowed)				246,000
Net tax after tax rebate (a)				5,000
Net tax after tax (b)				246,000
Minimum tax (b) Net amount payable [higher of (a) and (b)]				,
Net amount payable [rights of	Tk.	24,600		
Add: Surcharges - Net Wealth Surcharge (10% on Tk. 246,000)	IK.	,		20.600
		5,000		29,600
Surcharge on Tobacco Income (2.5% of Tk. 200,000)				20,928
Add: Interest, fine, or any other payment under ITA, 2023 (note 3)				296,528
Total Amount Payable				
Lare: Payments -	Tk.	14,000		
a. Tax deducted or collected at source		-		
		5,000		
Adjustment of tax refund (assessment year 2023 - 2024)		277,528		
d. Amount paid with return [Balancing Figure]		277,320	TI.	207.500
Total amount paid and adjusted $(a + b + c + d)$			Tk.	296,528
			Tk.	
Deficit or excess				Tk
Tax exempted income				

Schedule 5

		mount
Particulars of Investment 1. Insurance premium – own Tk. 60,000 (maximum limit: 10% of Tk. 500,000) 2. Purchase of savings certificate Tk. 600,000 (max. limit Tk. 500,000) 3. DPS - Tk. 144,000 (max. limit Tk. 120,000) 4. Employer's and employee's contribution to RPF	Tk.	50,000 500,000 120,000 40,000
Total	Tk.	710,000

Tax Rebate

A	3% of total income*	(Tk. 1,460,000 @ 3%)	Tk.	43,800	Lower of
	15% on total investment allowance	(Tk. 710,000 @ 15%)	Tk.	106,500	A, B, and C,
C,	Tk. 1,000,000		Tk.	1,000,000	i.e., Tk. 43,800

^{*} excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable i.e. interest on sanchaypatra

Workings 1: Computation of gross tax liability			Rate	· Aı	mount
On First	Tk.	400,000	0%	Tk.	-
On next		100,000	5%		5,000
On next		400,000	10%		40,000
On next		360,000	15%) 111	54,000
On tobacco income		200,000	45%		90,000
On Sanchaypatra interest		40,000	10%		4,000
Total	Tk.	1,500,000		Tk.	193,000

Workings 2: Computation of gross tax liability	1000	Rate	Amount
On First	Tk. 400,000	0%	Tk.
On next	100,000	5%	5,000
On next	400,000	10%	40,000
On next	500,000	15%	75,000
On next	160,000	20%	32,000
On tobacco income	200,000	45%	90,000
On Sanchaypatra interest	40,000	10%	4,000
Total	Tk. 1,800,000		Tk. 246,000

Notes: (1) Surcharge is applicable if net wealth worth above 4 erore. (2) Tax and surcharge rate on tobacco business income is 45% and 2.5% respectively (3) Interest/fine for late submission of tax return U/s 174: A = B + (B-C) × D × 0.02, where A = Total amount of tax payable, B= Total amount of tax the assessee would have paid if he had submitted the return by the Tax Day, provided that- (i) the tax exempted income shall be included in the total income and shall be taxed at the regular rate: and (ii) shall not include any penalty or tax imposed or levied under this Act other than minimum tax, surcharge and simple interest. C=Total amount of advance tax and TDS paid, D = Number of months determines as under, namely: (i) the number of months after the expiry of the tax day which shall not exceed 24; and (ii) a fraction of a month shall also be counted as 1 month. Here, B = Net amount payable and surcharge i.e. Tk. 275,600 and D = 4, as the return has been submitted after 3 months 26 days. So, A = B + (B-C) × D × 0.02 = 275,600 + (275,600-14,000) × 4 × 0.02 = 296,528. Therefore, the applicable interest/fine amount is (296,528 - 275,600) = 20,928.

SPC 17.7

GOVERNMENT EMPLOYEE, LOTTERY INCOME

Mr. Adib Ahsan is a government employee. Calculate his taxable income and tax liability for the current income year considering the following details.

- ☐ Mr. Adib Ahsan received basic salary (BS) Tk. 50,000 per month (pm); medical allowance Tk. 2,000 pm, two festival bonus each equal to Tk. 50,000, Bangla New Year Allowance Tk. 5,000. He lives in a government quarter and contributes Tk. 7,000 pm to the government provident fund (PF). Interest earned from the PF is Tk. 102,000. He also made monthly contribution to the Benevolent Fund, Group Insurance, and DPS (Dhaka Bank) was Tk. 500, Tk 600 and Tk. 7,000 respectively. ☐ Mr. Adib is the owner of a four storied house at Dhanmondi, Dhaka. He lives in one floor and let out other three floors each at a monthly rent of Tk. 30,000 per month which is directly deposited to his bank account by the tenants. The house is used for residential purposes. During the year he received advance of Tk. 100,000 124 from the new tenants as security deposit which is not adjustable against rent. Special rent receipt from a party held on rooftop community hall Tk. 50,000. Besides all the repair and maintenance expenses, he paid municipal tax of Tk. 8,000; land revenue Tk. 2,000; interest on mortgage loan Tk. 3,000 for the house. The first floor remained vacant for 2 months during the year with proof. ☐ He received profit from a sole proprietorship business Tk. 155,000. This business
 - incurred Tk. 40,000 loss in the last year and carry forwarded Tk. 5,000 of such loss. He won a lottery of Tk. 200,000 during the year and received the due amount after deduction of 20% TDS. During the year Mr. Adib purchased sanchaypatra of Tk. 600,000.

Assessment Year: 2024 - 2025	Income Yea	r: 2023 - 2024
Assessee: Adio Alisan	Amount	Amount
Calculation of taxable income		Tk. 700,000
1. Income from Employment (Schedule 1)		792,750
2. Income from Rent (Schedule 2)		-1750
3. Income from Business	Tk. 155,000	
Income from sole proprietorship business	5,000	
Less: set off previous year's loss		150,000
4. Income from other sources		200.000
Lottery income		200,000
Total taxable income		1,842,750
Tax computation and Payment		Tk. 228 55
Gross tax before tax rebate (workings)		
Less: Tax rebate (Schedule 5)		55,28
Net tax after tax rebate (a)		173,26
Minimum tax (b)		5,00
Net amount payable [higher of (a) and (b)]		173.26
Add: Surcharges -	_	
Net Wealth Surcharge	Tk	
Surcharge on Tobacco Income		
Add: Interest, fine, or any other payment under ITA, 2023		
Total Amount Payable		173,26
Less: Payments -		
 a. Tax deducted or collected at source (note 2) 	Tk. 40,000	
b. Advance tax paid		
c. Adjustment of tax refund (if any, mentioning the year)	•	
d. Amount paid with return [Balancing Figure]	133,267	
Total amount paid and adjusted (a + b + c + d)		Tk. 173,26
Deficit or excess		Tk.
Tax exempted income		Tk. 131,00

Sc	*		-	٠
30	цаз	ш	IC.	ı.

Particulars of Income from Employment	Total	Exempted	Taxable	
Basic salary (50,000 × 12)	Tk. 600,000	Tk	Tk.	600,000
Medical allowance	24,000	24,000		-
Festival bonus (50,000 × 2)	100,000			100,000
Bangla new year allowance	5,000	5,000		
Interest on PF	102,000	102,000		
Total income from employment	Tk. 831,000	Tk. 131,000	Tk.	700,000

Schedule 2

Particu	lars of	Income	from	Dont

Location,	Total Rental Income Computation	Amount	- Amount
description, and ownership proportion of property	Rent received (30,000 × 3 × 12) Amount of advance adjusted against rent Special rent Vacancy Allowance	Tk 1,080,000 50,000 (60,000)	War.
Dhanmondi, Dhaka; four storied building used for residential	Total Rental Value (TRV) Less: admissible expenses - Repair & maintenance (25% of TRV) Municipal tax (3'4) Land revenue (3'4)	Tk. 267,500 6,000 1,500	Tk. 1,070,000
purpose; 100% owned by the assessee	Interest on loan (3/4) Total admissible deduction Net Income Taxpayer's Share, if applicable (100%)	2,250	277,250 Tk 792,750 Tk 792,750

Schedule 5

Particulars of Investment	Amo	unt
1. Contribution to GPF (7,000 × 12)	Tk 84.6	000
2. Contribution to Benevolent Fund (500 < 12)	6,0	000
3. Contribution to Group Insurance Scheme (600 × 12)	7,3	200
4. DPS - Tk. 84,000 (max. limit Tk. 120,000)	84,	000
5. Purchase of Sanchaypatra - Tk. 600,000 (max. limit Tk. 500,000)	500,	000
Total	Tk 681,	200

Tax Rebate

A.	3% of total income*	(Tk. 1,842,750 @ 30 o)	Tk.	55,283	Lower of
B.	15% on total investment allowance	(Tk. 681,200 @ 15%)	Tk.	102,180	A, B, and C,
C.	Tk. 1,000,000		Tk. 1	000,000	i.e., Tk. 55,283

^{*} excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable

Workings: Computation of gross tax liability

		Rate	Amount
On First	Tk. 350,000	On/a	Γk -
On next	100,000	5%	5,000
On next	400,000	10%	40,000
On next	500,000	15%	75,000
On next	292,750	20%	58,550
On lottery income	200,000	25%	50,000
Total	Tk. 1,842,750		Tk 228,550

Notes: (1) For government employee only BS, Festival Allowance, and Bonus is taxable (2) TDS on lottery is 40 20%, i.e., 20% of Tk, 200,000 or Tk, 40,000.

Bangladesh Income Tax - Theory and Practice PERQUISITES, PARTLY LET OUT HOUSE PROPERTY, PARTLY AGRICULTURAL

INCOME, SET OFF OF BUSINESS LOSSES Compute total income and tax liability of Mr. Abdullah for the current income year considering the following details of his income for the year

- D Income from Salary On the first month of the income year, he received basic salary (BS) Tk 65 000 in the scale of 60,000 5000 × 5 - 75,000. His date of yearly salars increment is on April | He received dearness allowance (\$\hat{a}\$ 10% of BS and medical allowance of Tk 6,000 per month. He received two honuses equivalent to a month's BS, one received before annual increment and another after increment. He contributes 10% of his BS to an unrecognized provident fund. He has been provided with rent free accommodation (annual rental value Tk. 480,000) and a 2800 cc full-time car TDS on salary Tk. 75,000.
- ☐ Income from Rent He has a house. Half of the house is let out at Tk. 12,000 per month for commercial purposes and the other half is used for his residence. The municipal value of the house is Tk. 300,000. The expenses of the house for the year were as follows land development tax Tk. 1,000; interest on HBFC Loan Tk. 45,000; and municipal taxes Tk. 5,400.
- ☐ Agricultural Income Mr Abdullah generated income from rubber garden Tk. 20,000 and sale of agri-products Tk. 400,000 during the year. Expenses (excluding production cost) relating to above agricultural income for the year were Tk. 5,000. ☐ Business Income Income from sole-tradership business Tk. 240,000; last year loss
- carried forward Tk. 20,000. ☐ Income from Financial Assets. Interest on taxable government securities (TGS) Tk. 3,325, interest on debenture Tk. 19,000; Interest on bank deposit Tk. 9,000; dividend income Tk. 9,000; income from zero coupon bond Tk. 10,000,
- ☐ During the year his actual investment allowance was Tk. 450,000.

Assessee: Abdullah Assessment Year: 2	Assessment Year: 2024 - 2025		
Calculation of taxable income	Amount	Amount	Amount
I Income from Employment Basic salary [(65,000 × 9) + (70,000 × 3)] (note 1) Dearness allowance Medical allowance (6,000 × 12) Bonus (65,000 × 70,000) Accommodation facilities Conveyance facilities (25,000 × 12) Less. Exempted income (note 2)	Tk. 795,000 79,500 72,000 135,000 480,000 300,000	Tk. 1,861,500 450,000	Tk. 1,411,500
2. Income from Rent Actual rental value (ARV, 12,000 × 12) Municipal value (MV: 300,000 × ½) Total Rental Value (AV: higher of ARV and MV)	Tk. 144,000 150,000	Tk. 150.000	4

	Less: admissible expenses - Repair & maintenance (30% of TRV) Municipal tax (½)	45,000 2,700		3	. *	
	Land development tax (½) Interest on HBFC loan (½) Income from Agriculture	500 22,500		70.700		79,300
3.	Sale of agri-products Income from rubber garden (20,000 × 60%) Less: admissible expenses: Production costs (note 3)	Tk. 400,000 12,000 Tk. 240,000	Tk.	412,000		
	Others	5,000		245,000		167,000
4.	Income from Business Income from sole proprietorship business Less: set off previous year's loss Income from rubber garden (20,000 × 40%)	Tk. 240,000 20,000	Tk.	220,000		228,000
5.	Income from Financial Assets Interest from TGS (3,325 × 100 – 95) Interest from debenture (19,000 × 100 ÷ 95) Interest on bank deposit (9,000 × 100 ÷ 90) Dividend income (9,000 × 100 + 90)		Tk.	3,500 20,000 10,000 10,000		
	Income from zero coupon bond Less: exempted (full)	Tk 10,000			Tk.	43,500
To	otal taxable income					

Calculation	of tax	liability
-------------	--------	-----------

	Calculation of tax liability				Calculation of tax rebate		
On first On next On next On next On next On next Total Less: Inves	Tk.	350,000 100,000 400,000 500,000 79,300 1,929,300 tax rebate ed at source	Rate 0% 5% 10% 15% 20% 25%	5,000 40,000 75,000 100,000 19,825 239,825 57,879 78,175 103,771	A. 3% of Total Income B. 15% of Inv. (450,000 × 15%) C. Tk. 1,000,000 Lower of A, B, and C	Tk. Tk. Tk.	57,879 67,500 1,000,000 57,879
. o.u. umou	pu)						

Notes: (1) Basic salary for the first nine months @ Tk. 65,000 and for the last three months with increment @ Tk. 70,000 (65,000 + 5.000). (2) Lower of 1/3rd of total salary income i.e. (Tk. $18,61,500 \div 3$) = Tk. 620,500 and Tk. 450,000 (3) 60% sales of agri-products is admissible as production cost, i.e., $400,000 \times 60\% = 240,000$ (4) Employee's contribution to unrecognized provident fund is not an allowable investment. (5) Total amount of TDS is Tk. 78,175 [Tk. 75,000 from salary, Tk. 175 from govt. securities, Tk. 1,000 from debentures, Tk. 1,000 from interest on bank deposit, and Tk. 1,000 from dividend.



CAPITAL GAIN, DIVIDEND FROM MUTUAL FUND AND UNIT FUND

Mr. Mahid is the chief accountant of a private company. Considering the following data ascertain his total income and tax to be paid for the current income year.

- Income from Employment Tk. 300,000; income from rent Tk. 265,000; agriculture income includes: income from tea garden Tk. 15,000 and other agricultural income includes: income from tea garden Tk. 15,000 and other agricultural income includes: Tk. 30,000; income from business includes: income from sole proprietorship business Tk. 360,000 (last year's loss carried forward Tk. 20,000); dividend income from mutual fund Tk. 27.000; interest from bank deposit Tk. 2,700; interest from post office savings bank Tk. 27,000; royalty received as an author Tk. 45,000 Mr. Mahid purchased a machine for his sole proprietorship business on 1st August
- 2018 at Tk. 180,000. On 31st March of this income year, it was sold for Tk 210,000 when the written down value (WDV) was Tk. 120,000. Mr. Mahid made investment and expenses during the said year for: life insurance premium Tk. 12,000 (policy worth Tk. 100,000); deposited to pension scheme per month Tk 1,000; household expenses Tk. 18,000; investment in primary share of a listed company Tk. 20,000; investment in Recognized Provident Fund (RPF) both by employee and employer total Tk. 36,000; donated to ICDDRB Tk. 100,000; and purchase of Govt. Treasury Bill Tk. 20,000.

	Assessment Year: 20	24 – 2025	Income Yea	ır: 202	23 – 202
Assessee: Mahid	A mount		Amount	A	mount
Calculation of taxable incom				Tk.	300,000
 Income from Employmen 	t				265,00
2. Income from rent					
 Income from Agriculture 		Tk. 9,000			
Income from tea garden (15,000 × 60%)	30,000	Tk. 39,000		
Other agricultural income			18,000		21,00
Less: admissible expense	s – Production costs (note 1)				2.,00
4. Income from Business		260,000			
Income from sole proprie	torship business	Tk. 360,000			
Less: capital gain include	d thereon	30,000			
Less: set off previous year	r's loss	20,000	Tk. 310,000		216.00
Income from tea garden (15,000 × 40%)		6,000		316,00
5. Capital gain (note 2)					30,00
6. Income from Financial A	ssets				
Dividend from mutual fu	nd (27,000 × 100 ÷ 90)		Tk. 30,000		
Interest from bank depos	it (2,700 × 100 ÷ 90)		3,000		
Interest from post office	$(27,000 \times 100 \div 90)$		30,000		
Royalty received as an au	uthor (45,000 × 100 ÷ 90)		50,000		113,00
Total taxable income (TI)				Tk	1,045,00

Calculation of tax liability

Calculation of tax liability				Calculation of investment tax rebate			
On first	Tk.	350,000	Rate 0%		Life insurance premium Share purchase	Tk.	10,000 20,000

On next On next On next On capital gain Total Tess: Investment tax Less: Tax deducted		5% 10% 15% 15%	5,000 40,000 24,750 4,500 74,250 29,700 44,550	Contribution to RPF Deposit pension scheme Donation to ICDDRB Purchase of Treasury Bill Total allowable investment A. 3% of TI B. 15% of allowable investment C. Tk. 1,000,000	36,000 12,000 100,000 20,000 Tk. 198,000 31,350 29,700 1,000,000
Total amount payab	le		33,250	Rebate (Lower of A, B, and C)	Tk. 29,700

Notes: (1) It is assumed that no book of accounts was kept for agricultural income and expenses. So, 60% of other agricultural income is considered as the production cost. (2) Capital gain arises when the selling price of an assets exceed the cost price. Here, the machine was sold for Tk. 210,000 whereas the cost was Tk. 180,000. So, the amount of capital gain is Tk. 30,000 (210,000 - 180,000). It is Assumed that the revenue gain portion is included in the income of sole-tradership business. (3) As the capital gain arises after five years from acquisition, tax on capital gain is calculated separately using the rate 15% (4) TDS consists Tk. 3,000 from mutual fund dividend, Tk. 3,000 from nost office bank, Tk. 300 from bank interest, and 5,000 from royalty.



ADVANCE SALARY, INTEREST COLLECTION CHARGE, PROPERTY LET OUT BOTH FOR RESIDENTIAL AND COMMERCIAL PURPOSES, TDS

Mr. Jewel is an executive of a private firm and received basic salary (BS) of Tk. 18,000 per month. His other income for the current income year includes: house rent allowance Tk. 10,800 per month; medical allowance Tk. 1,200 per month; dearness allowance @ 5% of BS; two festival bonus each equal to one month's BS; performance bonus equal to three month's BS. He contributes to old age fund @ 5% of BS. His employer provided him a 1500 cc car for full time use. He also received Tk. 950 per month as entertainment allowance out of which he spends Tk. 4,000 during the year. He has withdrawn two month's BS in advance and contributed 10% of BS to Recognized Provident Fund and his employer also contributed the same amount. TDS on Salary 20,000.

Mr. Jewel is the owner of a three-storied building at Mohakhali. Mr. Jewel resides with his family on the 2nd floor. One floor is let out to a Beauty Parlour and another floor is let out to a family at a monthly rent of Tk. 20,000 and Tk. 15,000 respectively. Expenses incurred for the house during the year include: repair expenses Tk. 150,000; city corporation tax Tk. 1,200 per quarter; white wash expense Tk. 15,000; insurance premium Tk. 3,000; electricity expense Tk. 5,000; caretaker's salary Tk. 2,000 per month; land revenue paid Tk. 3,000; mortgage loan paid Tk. 53,750 (including interest Tk. 3,750); alteration cost of first floor Tk. 30,000.

His incomes from other sources are: income from running an Old Home Tk. 12,000; income from writing column in newspaper Tk. 5000; income from sale of forest timber Tk. 32,000; sale of used furniture Tk. 6,000 (cost price Tk. 11,000). Mr. Jewel made and incurred investment and expenses during the said year for: purchase of shares of a

co-operative society Tk. 40,000; donation to Baitul Mukarram Mosque Tk. 8,000; co-operative society Tk. 40,000; donation to a local club Tk. 9,000; spent a donation to Govt. Zakat fund Tk. 60,500; donation to a local club Tk. 9,000; spent a donation to Govt. Zakat fund Tk. 60,500; uonation to Govt. Zakat fund Tk. 60,5 sum of Tk. 15,000 as educational expenses of its surface Tk. 2,000. Ascertain his total income Tk. 45,000 and Contribution to group insurance Tk. 2,000. liability to be paid for the current assessment year.

and tax liability to be paid to		2025	2023 - 2024		
		Assessment Year: 2024	Amount	Amount	Amount
Ass	essee: Jewel				
Cal	culation of taxable income		Tk. 216,000		
1.	Income from Employment		129,600		
	Basic salary (18,000 × 12)	× 12)	14,400		
	House Rent Allowance (10.800		10,800		
	Medical allowance (1,200 × 12) Dearness allowance (216,000 ×	5%)	36,000		
	Dearness allowance (210,000		54,000		
	Festival bonus (18,000 × 2) Performance bonus (18,000 × 3))	120,000		
	Conveyance facility (10,000 × 1	2	11,400		
	Entertainment allowance (950 ×	: 12)	36,000		
	Advance salary (18,000 × 2)		21,600		
	Employer's contribution to RPF	· ·		Tk. 649,800	
	Employer			216,600	Tk. 433,200
2.	Less: Exempted income (note 1 Income from Rent			Tk. 420,000	1111 133,200
۷.	Total rental value (20,000 × 12) Less: admissible expenses –) + (15,000 × 12)	m 117,000	TR. 420,000	
	Repair & maintenance (no	ote 2)	Tk. 117,000 3,200		
	City corporation tax (1,20	$00 \times 4 \times 2/3$	2,000		
	Insurance premium (2 ÷ 3	3)			
	Land revenue paid (2 ÷ 3))	2,000		
	Mortgage interest paid (2	÷ 3)	2,500	126,700	
				120,700	293,300
					275,500
3.			Tk. 12,000		
	Income from old home		****	Tk	
	Less: Exempted - Full		12,000		
	Income from writing column i	n newspaper		5000	27,000
	Sale of forest timber			32,000	37,000
Т	otal taxable income (TI)				Tk. 763,500

Calculation of tax liability			Calculation of investment tax rebat
	Rate	Tk.	Contribution to old age fund

5,000

31,350

0%

5%

10%

Tk. 350,000

100,000

313,500

(Contribution to old age fund	Tk.	10,800
(Contribution to RPF		43,200
	Donation to Govt. Zakat fund		60,500
	Purchase of ICB certificate		45,000

B. B. Carlotte	DESCRIPTION OF THE PARTY OF THE	Group insurance	2,000
Tk. 763,500	36,350	Actual allowable investment	Tk. 161,500
Total Less: Investment tax rebate	22,905	A. 3% of TI (note 3)	22,905
Less: Investment	13,445	B. 15% of allowable Investment	24,225
Less: Tax deducted at source	20,000	C. Tk. 1,000,000	1,000,000
Less: Tax dedday	(6,555)	Tax rebate (lower of A, B, and C)	Tk. 22,905

Notes: (1) lower of 1/3rd of income from employment i.e. Tk. 216,600 or Tk. 450,000 (2) Repair expense for the letout part is 25% for residential usage part and 30% for commercial usage part. So, repair expense is Tk. 117,000 out part is $12 \times 30\%$ + $\{15.000 \times 12 \times 25\%\}$ (3) excluding income on which a tax exemption or a reduced rate or $[\{20.000 \times 12 \times 30\%\}]$ + $\{15.000 \times 12 \times 25\%\}$ (3) excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable, i.e., 763,500 @ 3% = Tk, 22,905.



MINIMUM TAX

Mr. Arshad Amin is an executive of a private firm. He receives gross salary of Tk 393,666 from his office. In addition, he received interest from bank (gross) Tk. 64,139. He made no investment during the year. TDS on salary Tk 3,500. Calculate Mr. Arshad Amin's total taxable income and net tax liability for the current assessment year.

Assessee: Arshad Amin	Assessment Year: 2024 – 2025	Income Year:		
Calculation of taxable income			Am	ount
. Income from Employment			тν 3	393,666
Gross salary	ed arm 202 ccc : Th 121 222 e			131,222
Less: Exempted – Lower of 1/3	rd of Tk. 393,666, i.e., Tk. 131,222 or	1 K. 430,000		262,444
Taxable income from employment	ent (Regular source)	blal	4	64,139
	Bank interest) [Minimum tax is appli	icablej	TL 1	326,583
Total taxable Income			1 K	320,363
Calculation of Tax Liability				
Tax on Regular Sources of Income ((except Bank interest) i.e. on Tk. 2,62	2,444 @ 0%	Tk.	
Tax applicable on Bank Interest:				
 Tax on Income from Regular So 	ources (Income from Employment) an	d Bank interest		
i.e. on Tk. (262,444 + 64,139) =			Tk.	-
 Less: Tax on Regular Sources of 	of Income			
 Minimum Tax on Bank Interest 	t (Since TDS on Bank Interest is Tk.	6,414 which is		
more than the tax liability @ re			Tk.	6,414
Gross Tax Liability before rebate				6,414
Less: Tax Rebate				
Net Tax Liability (a)				6,414
Minimum Tax (b)				5,000
Total Payable Amount (Higher of a	and b)			6,414
Less: TDS (on salary Tk. 3,500 + o				9,914
Payable with Return (Excess Paid)			Tk.	(3,500)

On first

On next

On next



PAY SCALE, PROFIT BONUS, TDS FROM SALARY INCOME, FOREIGN INCOME, DTA, INCOME OF SPOUSE AND MINOR CHILD

DTA, INCOME OF SPOUSE AND MINOR. His taxable income from employment during Mr. Topu has been working in a private firm. His taxable income from employment during Mr. Topu has been working in a private deducted Tk. 3,000 from his salary as TDS now. Mr. Topu has been working in a private filling 113 3,000 from his salary as TDS per month, the year is Tk. 674,302. His employer deducted Tk. 3,000 from his salary as TDS per month, the year is Tk. 674,302. His employer of a two storied building at Lalmatia. Disalary of a two storied building at Lalmatia. the year is Tk. 674,302. His employer occurred building at Lalmatia, Dhaka and he Moreover, Mr. Topu is the owner of a two storied building at Lalmatia, Dhaka and he Moreover, Mr. Topu is the owner of a two stores at a monthly rent of Tk. 30,000. Beside let out the whole building for residential purpose at a monthly rent of Tk. 2,500 per quadratic be paid municipal tax of Tk. 2,500 per quadratic be paid municipal tax. let out the whole building for residential paid municipal tax of Tk. 2,500 per quarter for that all other maintenance expenses, he paid municipal tax of Tk. 2,500 per quarter for that all other maintenance expenses, he paid into the lower than the same than the construction cost. During the way house. Mr. Topu took a loan of Tk. 1,500,000 @ 10% simple interest from a bank by house. Mr. Topu took a loan of the type of the construction cost. During the year, he paid placing that house as collateral to meet the construction cost. During the year, he paid the installment of the loan Tk. 300,000 (including Tk. 150,000 interest).

Mr. Topu visited South Korea as a consultant and generated Tk. 500,000 and he paid Mr. Topu visited South Korea as per DTA. Half of this income has been brought income tax @ 25% in South Korea as per DTA. Buscia he generated The South Russia he generated The South Russ income tax @ 25% in South Rolls received Tk. 300,000 and through banking channel. From another visit to Russia, he generated Tk. 300,000 and through banking channel. 1761. A salso received Tk. 45,000 as interest from the paid income tax @ 20%. Mr. Topu has also received a shop in the paid income tax to 2000 the savings account of his minor child and he has purchased a shop in the name of his wife savings account of his hillion savings account of his wife has received Tk. 50,000 as rent. At the end of the year, Mr. Topu's non which his wife has to take the first of for the year assuming his eligible amount of allowable investment for the year is Tk. 200,000 and his wife did not submit any return in her name.

Income Vear: 2023 - 2024

	Assessment Yea	r: 2024 - 2025	Income 1 ear: 2023 – 2024		
Ass	essee: Topu Assessment 1 ea	Amount	Amount	Amount	
	culation of taxable income	Amount		Tk. 674,302	
1. 2.	Income from Employment Income from Rent Annual rental value (30,000 × 12) Less: admissible expenses – Repair & maintenance (note 1)	Tk. 90,000 10,000	Tk. 360,000	41. J	
	Municipal tax (2,500 × 4) Interest on mortgage loan	150,000	250,000	110,000	
3.	Income from Spouse or Minor Child Rental income of spouse Interest income of minor (45,000 × 100 ÷ 90)		Tk. 50,000 50,000	100,000	
4.	Foreign Income Income from South Korea Less: exempted (note 3)	Tk. 500,000 250,000	Tk. 250,000		
т	Income from Russia		300,000	550,000 Tk. 1,434,302	

Calculation of net ta.	x liability				
On first Tk. 350,000	@ 0%	Tk.	-	Less: Double taxation relief (notes 2, 3)	Tk. 52,470
On first Tk. 100,000	@ 5%		5,000	Less: Inv. tax credit (note 4)	30,000
On next Tk. 400,000	@ 10%		40,000	(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	54,390
On next Tk. 400,000	@ 15%		75.000	Add: Wealth surcharge (note 6)	5,439
On next Tk. 500,000	@ 20%		16,860	Less: Tax deducted at source (note 5)	41,000
On next Tk. 84,302	10 2070	TL	136,860		Tk. 18,829
Gross Tax		IK.	130,000	Total amount payable	1 K. 10,027

Notes: (1) If the house property is let out for residential purpose, 25% of total rental value is admissible as repair and maintenance expense. (2) Double taxation relief: Average tax rate in Bangladesh is (136,860 = 1,434,302) i.e., 9.54%. So, Tax relief: on income from South Korea (as per DTA) 25% of 250,000 = Tk. 62,500 but maximum relief for pTA country is at an average rate (250,000 × 9.54%) = Tk. 23,850. On income from Russia (no DTA exists): 20% or average whichever is lower i.e., 9.54% of 300,000 = Tk. 28,620; Total double taxation relief (23,850 + 28,620) = Tk. 52.470. (3) No question of double taxation exists for half of income generated from South Korea because that nart was exempted from tax in Bangladesh because of using banking channel to bring the money. (4) Tax rebate will be lower of (a) 3% of TI excluding income on which min. tax is applicable i.e. $(1.434.302 \times 3\%) = \text{Tk. } 43.029$; (b) 15% of investment i.e. ('200,000 × 15%) = Tk. 30,000, or (c) Tk. 10 lac. (5) Total TDS was Tk. 41,000 (Tk. 36,000 from salary + Tk. 5,000 from interest on saving account) need to be adjusted to calculate net tax liability. (6) As his net asset is Tk. 4.5 crore, he has to pay 10% surcharge on net tax.



CAPITAL ASSET DISPOSAL, SALE OF SHARE

Ms. Afroza Rahman is the chief accountant of a private limited company. During the hear her gross salary receipt was Tk. 575,000. Her contribution to RPF was Tk 25,000, the same amount was also contributed by her employer. The company deducted monthly Tk. 2,000 from her salary as income tax.

Ms. Rahman is the owner of a sole proprietorship business from where she earned net profit of Tk. 16,00,000 during the current fiscal year. She has realized gain and unrealized gain from stock market Tk. 10,00,000 and Tk. 30,00,000 respectively. She has invested Tk. 400,000 in the secondary market and Tk. 100,000 in Treasury Bond during the year. She sold a 3 khata plot in Mirpur for Tk. 1 crore in December of current income year, which was gifted by her father with a deed value of Tk. 75 lakh in March 2013. She paid Tk. 2 lakh as TDS at the time of registration and all other transfer expenses were borne by the buyer. She had no other income during the period.

Assessee: Afroza Rahman	Assessment Year	: 2024	- 2025	Income Yea	r: 2023 – 2024
Calculation of taxable incom			mount	Amount	Amount
1. Income from Employment Gross receipt of salary Employer's contribution Less: exempted –	ent:	Tk.	575,000 25,000	Tk. 600,000 200,000	Tk. 400,000

1,600,000

2,500,000

Tk. 4,500,000

- 2. Income from Business
- 3. Income from Capital Gain Realized gain on Share Less: exemption (full) Sale of land (note 2)

Tk. 1,000,000 1,000,000	I IV.	2,500,000

Total taxable income (TI)

Calculation of tax	liability	Rate	Tk.
On first Tk On next On next On next On next On next The content of the content of the content on	400,000 100,000 400,000 500,000 100,000 2,500,000 (, 4,500,000	0% 5% 10% 15% 20% 25%	5,000 40,000 75,000 100,000 25,000 200,000 445,000 82,500
Less: Investment t Less: Tax deducte	ax rebate d at source (no	ote 3)	224,000
New Tax liability			138,300

Calculation of investment tax rebate

Calculation of The	_	_
Contribution to RPF	Tk.	50,000
Share purchase		400,000
Treasury Bond		100,000
Actual allowable investment		550,000
A. 3% of TI (note 4)		135,000
A. 3% of 11 (note by B. 15% of allowable investment		82,500
B. 15% of allowable	1.	000,000
C. Tk. 1,000,000	Tk	
Tax rebate (lower A, B, and C)		02,300

Notes: (1) lower of 13rd of income from employment, i.e., 200,000 or Tk. 450,000 (2) Sale proceeds of land [1]. The 10,000,000] less: cost of acquisition [Tk. 7,500,000]. Therefore, capital gain is Tk. 2,500,000. (3) TDS paid at the time of land registration is considered as final payment of tax under SRO 286/Law/IT-16/2023, 11/10/2023 (4) excluding income on which tax exemption, minimum tax, or reduced rate is applicable



PARTNERSHIP PROFIT, SET OFF BUSINESS LOSSES

Mr. Masud Reza works in a Multinational Company. Relevant details of his income for the current income year are given below to calculate his tax liability for the year.

- ☐ During the income year. Mr. Reza received basic Salary (BS) Tk. 30,000 per month (pm); dearness allowance 10% of BS; two bonuses equivalent to two months BS; medical allowance Tk. 10,000 pm; entertainment allowance Tk. 2000 pm, conveyance allowance Tk. 4,000 per month. He has also been provided with a rentfree unfurnished quarter, annual rental value of which is Tk. 300,000. His Dhaka Club bill has been reimbursed Tk. 100,000. travel allowance given Tk. 50,000 for official purposes and Tk. 60,000 as a part of his reward. He contributes 10% of his BS to a Recognized Provident Fund (RPF). TDS on salary Tk. 75,000.
- ☐ He owns a Tin Shade house in Mirpur. He stays in the house with his family. The municipal value of the house is Tk. 200,000 per annum. During the year he incurred expenses for repair Tk. 30,000; insurance Tk. 4,000; land development tax Tk. 1.500; sewerage and utilities expense Tk. 1,000; payment of DBH loan installment (including interest of Tk. 500) Tk. 5,000.

- ☐ He owns a stationary shop in his village. Total sales and COGS in the income year was Tk. 30,00,000 and Tk. 24,00,000 respectively. Other expenses were - salary Tk. 60,000; Electric Bill Tk. 25,000; Rent expense Tk. 50,000; trade license renewal fee Tk. 10,000; Delivery expense Tk. 15,000. At the beginning of the income year, he purchased furniture of Tk. 40,000. Last year's loss carried forwarded Tk. 1,000.
- ☐ His other incomes were sale of forest timber Tk. 34,000; sale of crops Tk. 5,000; income from borga Tk. 2,000; share of profit in a partnership firm Tk. 100,000. He also reported income of spouse and minor child Tk. 40,000.
- ☐ During the year the DCT has identified an unexplained credit of bank deposit Tk. 550,000. He has shown the purchase price of a flat as Tk. 40,00,000. The DCT has identified its fair market value as Tk. 50,00,000.
- ☐ Mr. Reza claims tax rebate for investment in life insurance premium: Own Tk. 18,000 (policy value Tk. 200,000) and 20 years old son Tk. 8,000 (policy value Tk. 100,000); purchase of a listed company's primary share Tk. 5,000, partnership firms share Tk. 10,000, and shares of co-operative society Tk. 2,000; Contribution to Ahsania Mission Cancer Hospital Tk. 3,000; contribution to government zakat fund Tk. 25,000; DPS 12,000 per month, purchase of sanchaypatra Tk. 600,000; and purchase of furniture Tk. 15,000.
- ☐ His net wealth amount is Tk. 5 crore. He owns two motor cars of 1500 CC and 2000 CC respectively. He paid total Tk. 75,000 as advance tax in this regard.

Assessee: Masud Reza Assessment Year:	2024 – 2025	Income Yea	r: 2023 – 2024	
ASSESSEC. Master	Amount	Amount	Amount	
Calculation of taxable income	Amount			
Income from Employment				
Basic salary (30,000 × 12)	Tk. 360,000			
Dearness allowance (360,000 × 10%)	36,000			
Bonus (30,000 × 2)	60,000			
Medical allowance (10,000 × 12)	120,000			
Entertainment allowance (2,000 × 12)	24,000			
Conveyance allowance (4,000 × 12)	48,000			
Rent free accommodation	300,000			
Club bill reimbursed	100,000			
	60,000			
Travel allowance	36,000			
Employer's contribution to RPF (360,000 × 10%)		Tk. 1,144,000		
Less: exempted (note 1)		381,333	TI 7/2///	
			Tk. 762,667	
2. Agricultural Income				
Sale of crops	Tk. 5,000			
Income from borga	2,000			
moonic nom oorga		Tk. 7,000		
Less: admissible production cost (note 2)		3,000	4,000	
Less. aumissible production cost (note 2)				

				Theory and Practice	
		 Tax	4ph	Lifetan	

Bangladesh Income Tax - Theory with			0.0 =
		Tk. 600	,000
4 Income from Business			
Green Profit (Sales (CR15)	Tk. 60,000		
Less: Admessible expenses	25,000		
Salary			
Electric bill	50,000		
Pant	10,000		
Trade License renewal	15,000		
Delivery Expense	4,000		
Delivery Expense Furniture depreciation [10% as per S	Scn. 3]	164	,000,
-maintage definement		436	.000
		1	,000
6-mar losses			
Less Carry forward of prior losses			435,000
			,-40
5. Income from other sources		Tk. 34	,000
Sale of forest timber		550	,000
Linexplained credit		1,000	.000
Understated flat value			
Camper comments			1,584,000
6. Share of profit in a partnership firm			100,000
6. Share of profit in a particismp from			40,000
7. Income of spouse or minor child			
			Tk. 2,925,667
Total taxable income			7, 20,007
- 15			
Tax computation and Payment			Tk. 498,917
Gross tax before tax rebate (workings)			190,7[]
Less: Tax rebate (Schedule 5 and note 4, i.e.,	87,770 + 17,030)		104,820
Net tax after tax rebate (a)			394,097
Minimum tax (b)			5,000
Net amount payable [higher of (a) and (b)]			394,097
Add: Surcharges -			
Net Wealth Surcharge (394,097 × 10%)		Tk. 39	,410
Environmental protection surcharge			.000
protection suichaige			·
Add Interest Consumer of			1 14,410
Add Interest, fine, or any other payment under	er ITA, 2023		
Total Amount Payable			508,507
Less: Payments -			
a Tax deducted or collected at source	(75,000 + 5.000 + 3.000)	Tk. 83	,000
A VINE ARISEC 1977 DRIED			
d Amount paid with return (p. t.	entioning the war-	13	,000
			-
Total amount paid and adjusted (a + b + c + d	s i iguiej	350	,507
Deficit or excess)		Tk. 508,507
Tax exempted income			Tk.
			Tk. 350,507
#14			I M.

_	h	e	d	u	k	e	5

particulars of Investment	Ar	nount
Employee and employer's contribution to RPF (36,000 × 2)	Tk.	72,000
Life insurance premium - own (max 10% of PV) purchase of listed share		18,000
Purchase of listed share		5,000
4. Contribution to Ahsania Mission Cancer Hospital		3,000
5. Contribution to govt. zakat fund		25,000
6. DPS - Tk. 144,000 (max. limit Tk. 120,000)		120,000
7. Purchase of Sanchaypatra - Tk. 600,000 (max. limit Tk. 500,000)		500,000
Total	Tk.	743,000

Tax Rebate

A. 3% of total income* B. 15% on total investment allowand	(Tk. 2,925,667 @ 3%) ce (Tk. 743,000 @ 15%)	Tk. 87,77	Bonel of
C. Tk. 1,000,000		Tk. 1,000,00	0 i.e., Tk. 87,770

^{*} excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable.

Workings: Computation of gross tax liability

	On first Tk.	On next Tk.	Total (Tk.)				
	350,000	100,000	400,000	500,000	300,000	1,275,667	2,925,667
Rate	@ 0%	@ 5%	@ 10%	@ 15%	@20%	@ 25%	-
Tax	-	5,000	40,000	75,000	60,000	318,917	498,917

Notes: (1) lower of $1/3^{rd}$ of income from employment, i.e., Tk. 381,333 or Tk. 450,000 (2) Though nothing is mentioned, we can at least assume 60% of sales proceeds as production cost. But this 60% should be charged only based on sales proceeds of crops, as no production cost is associated with borga. (3) Purchase of firm's share, shares of co-operative society and furniture are not allowable investments. (4) Average rate of tax = (498.917 + 29.25.667) \times 100 = 17.05%; Thus, tax credit on partnership profit is (100.000 \times 17.05%) = 17.050.



INCOMES ON WHICH MINIMUM TAX IS APPLICABLE

Ms. Roksana Azad has income from employment (salary) Tk. 718,200, bank interest (gross) Tk. 120,000, and interest on savings certificate (gross) Tk. 50,000. Employer's and employee's contribution to RPF Tk. 50,000. She purchased sanchaypatra of Tk. 150,000 and secondary share Tk. 16,000. Calculate her taxable income and tax liability for the year.

Assessee: Roksana Azad	Assessment Year: 2024 - 2025	Income Year	: 2023 - 2024
Calculation of taxable income		Amount	Amount
l. Income from Employment			Tk. 718,200
Income from Financial Ass	ets		*
Bank interest (minimum tax	applicable)	Tk. 120,000	
Interest on savings certifica	te (final payment of tax)	50,000	
			170,000
			Tk. 888,200

Bangladesh Income Tax - Theory was	
Calculation of Tax Liability A. Tax on Regular Sources of Income (except Bank interest and sanchaypatra interest) Le on Th. 18.200 [400.000 @ 0% + 100.000 @ 5% + 218.200 @ 10%] Tax on Tix 200 [400.000 @ 0% + 100.000 @ 5% + 218.200 @ 10%] Tax on Tix 200 [400.000 @ 0% + 100	Tk. 26,820
B. Tax applicable on Bank Interest: B. Tax applicable on Bank Interest: B. Tax applicable on Rank Interest: B. Tax applicable on Bank Interest: B. Tax appl	Tri
interest i.e. of the same and t	Tk. 40,730 26,820
100,000 & 5% - 300,000 & 9 Income 1 css. Tax on Regular Sources of Income Minimum Tax on Bank Interest (TDS on Bank Interest & 12,000 which is less than the applicable amount) (Tax on sanchayatra interest @ 10% on Tk. 50,000 (it is a final payment of tax)) Tax on sanchaya harfore rehate (A+B+C)	Tk. 13,910 Tk. 5,000 Tk. 45,730
C Tax on sanchaypatra interest (A+B+C) Gross Tax Liability before rebate (A+B+C) Less Tax Rebate (schedule 5)	1k. 45,730 21,546 24,184
Net Tax Liability (a)	5,000
Total Payable Amount (Higher of a and b) Less. TDS (on bank interest Tk. 5,000 + on sanchaypatra interest Tk. 12,000) Payable with Return (Excess Paid)	17,000 Tk. 7,184
Payable with Return (External Payabl	

Schedule 5	Amount
Particulars of Investment	Tk. 50.0
Contribution to RPF Purchase of Sanchaypatra - Tk. 150,000 (max. limit Tk. 500,000)	150,0
2. Purchase of Salicina/puod	16,0
3. Purchase of listed share	Tk. 216,0
Total	

Tax Rehate

		(Tk. 718,200 @ 3%)	Tk.	21.546	Lower of
	3% of total income*	(1K. /10,200 (c 5/0)		22 400	A, B, and C,
R	15% on total investment allowance	(Tk. 216,000 @ 15%)	IK.	32,400	
	Tk. 1,000,000		Tk. 1,	,000,000	i.e., Tk. 21,546

^{*} excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable to bank interest and sanchaypatra interest.



TAX CALCULATION FOR A NON-RESIDENT

Ms. Veronica Rozario, a Danish Citizen, came to Bangladesh and started working in Walton PLC since January 01, 2024 from where she receives basic salary Tk. 200,000 per month; rent free accommodation for which her employer spends Tk. 75,000 per month: a 2800cc full time car; medical allowance Tk. 10,000 per month (actual expense Tk. 100,000); and entertainment allowance Tk. 5,000 per month (actual expense Tk. 50,000). She invested Tk. 5,00,000 in listed company shares and Tk. 400,000 in ICB Mutual Fund Unit shares. Calculate her taxable income and tax liability for the year. Will your answer be different if she is a nonresident Bangladeshi?

- 1		
Assessee: Veronica Rozario	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
55000		

Calculation of taxable income	Amount	Amount
from Employment.		
lary (200,000 ^ 0)	Tk. 12,00,000	
Grae accommodation (73,000 × 6)	450,000	
ance facility (23,000 ^ 0)	150,000	
tigal allowance (10,000 × 6)	60,000	
Medical and the Market	30,000	
		Tk. 1,890,00
Less: exempted (lower of 1/3rd of income from employment i.e. Tk.		
630,000 or Tk. 450,000)		450,00
630,000		Tk. 1,440,00

Ms. Veronica's staying in Bangladesh during the income year was (31+28+31+30+31+30) = 181 days and days of staying in preceding 4 years to the income year was 0 days. So, she is a non-resident foreigner assessee. She will not get any tax rebate on investment allowance U/s 78. Her tax payable amount will be $(14,40,000 \times 30\%) = \text{Tk. } 432,000 \text{ less TDS (if any)}.$

Contrary, as a nonresident Bangladeshi, the answer will be different as non-resident Bangladeshi assesses are eligible to get regular tax rebate on investment allowance U/s 78. Tax will be calculated using the regular tax rate. So, the tax payable amount shall be as below:

	On first Tk. 400,000	On next Tk. 100,000	On next Tk. 400,000	On next Tk. 500,000	On next Tk. 40,000	Total (Tk.) 1,440,000
Rate Tax	@ 0% -	@ 5% 5,000	@ 10% 40,000	@ 15% 75,000	@20% 8,000	128,000
Less: Investment tax rebate (schedule 5) Net Tax payable						43,200 Tk. 84,800

Schedule 5

Particulars of Investment	Amount
Purchase of listed company's share	Tk. 500,000
2. Purchase of ICB Unit Fund shares	400,000
Total	Tk. 900,000

Ta.

A.

B.

L)	c Kebate				
	3% of total income*	(Tk. 1,440,000 @ 3%)	Tk.	43,200	Lower of
	15% on total investment allowance	(Tk. 900,000 @ 15%)	Tk.	135,000	A, B, and C,
	Tk. 1 000 000	(Tk. I	,000,000	i.e., Tk. 43,200

^{*} excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable i.e. bank interest and sanchaypatra interest.

TAX ON CAPITAL GAIN, TDS, SURCHARGE BASED ON NET WEALTH **TAX ON CAPITAL GAIN, 103, 30 Review**Mr. Jalal Talabani retired from his job on 1st July 2024 under a government voluntary.

Mr. Jalal Talabani retired as gratuity, Tk. 5,000,000 as accumulated. Mr Jalal Talabani retired from his job of the first state of the first scheme and received Tk. 3 crore as gratuity, Tk. 5,000,000 as accumulated balance scheme and received Tk. 3 000,000 as golden handshake. He has furnish scheme and received 1k. 3 crote as golden handshake. He has furnished the from the provident fund, Tk. 3,000,000 as golden handshake. He has furnished the from the provident fund, IX. 3,000 of the sources of his income for the current income following information about the other sources of his income for the current income

year. Calculate the tax habitity.

Sale of agricultural crops Tk. 200,000; Income from Barga Tk. 50,000; Sale of Teator Till.

Sale of agricultural crops Tk. 25,00,000; Sale of Tractor Till. Sale of agricultural crops 14. 25,00,000; Sale of Tractor Tk. 26,000 100,000, Income from Poultry Farm 25,000,000; Sale of Tractor Tk. 26,000

(Accumulated Depreciation Tk. 2,000; cost Tk. 25,000); (Accumulated Depreciation | Accumulated Depreciation | Accumulated Depreciation | Profit from paper business Tk. 100,000; Cigarette Manufacturing business Tk

300,000; Call Center Business Tk. 200,000; 300,000; Can Center Dashest Tk. 300,000 (TDS applied Tk. 30,000), Bank interest Tk. Interest on Sanchaypatra Tk. 300,000 (TDS applied Tk. 30,000), Bank interest Tk. Interest on Salichaypana (net), Dividend from listed company's share Tk. 27,000 (net); Income from 45,000 (net), Dividend from listed company's share Tk. 27,000 (net); Income from zero coupon Bonds Tk. 50,000.

□ He performed a consultancy for World Bank for 10 days in USA and received an honorarium of \$5,000. He has remitted the amount to Bangladesh through Western Union. Tk. 600,000 was credited to his account by bank in this regard.

☐ Share of Profit in a Partnership Firm Tk. 200,000

☐ Investment claimed by Mr. Talabani includes: purchase of laptop Tk. 150,000 jewelery Tk. 300,000, shares through IPO Tk. 100,000; purchase of secondary shares Tk. 200,000; purchase of sanchaypatra Tk. 15,00,000, donation to Lab Aid Hospital Tk. 50,000; purchase of books and magazines Tk. 10,000; contribution to Ahsania Mission Cancer Hospital Tk. 10,000; distribution of zakat money to village people Tk. 20,000; donation to local mosque Tk. 10,000; DPS Tk. 12,000 per month; purchase of Samsung android smartphone Tk. 25,000 & purchase of an apartment Tk. 1 crore.

During the year his net wealth is amounted to Tk. 12 crore. He owns 2 cars (1500 cc and 2200 cc). Advance Tax paid Tk. 75,000.

Assessee: Jalal Talabani Assessment Year: 2024 – 2025		Income Yea	ır: 2023 – 2024
Calculation of taxable income	Amount	Amount	Amount
Income from Employment: Gratuity Less: Exempted – upto 2.5 crore	Tk. 30,000,000 25,000,000		in the second
Accumulated Balance from provident fund Less: Exempted - full	Tk. 5,000,000 5,000,000	Tk. 5,000,000	19 1 ye s
Golden Handshake Less: Exempted - full	Tk. 3,000,000 3,000,000	- ,	
		-	

Tk. 5,000,000 2. Agricultural Income:

Sale of crops Income from borga Sale of Tea (60%) Income from Poultry Revenue Gain on sale of tractor (note 2) Less: admissible production cost (note 1)	Tk 200,000 50,000 60,000 2,500,000 2,000 Tk. 2,812,000 1,20,000	
3. Income from Business: Profit from paper business Profit from Cigarette business Profit from Call Center Business Less: Exempted - full Sale of tea (40%)	Tk. 100,000 300,000 Tk. 200,000 200,000 - 40,000	2,692,000
4. Capital Gain (Gain on sale of tractor) 5. Income from financial assets: Interest on Sanchaypatra Bank interest (45,000 ÷ 90 × 100) Dividend (27,000 ÷ 90 × 100) Income from Zero Coupon Bond Less: Exempted - Full 6. Share of profit in a partnership firm Total taxable income	Tk. 300,000 50,000 30,000 Tk. 50,000 50,000	380,000 200,000 Tk. 8,713,000
Categorizing income for tax: Total taxable income Income on which reduced/special tax rate is applic Income from Poultry [1st 10 lac nil, next 10 lat 10%, rest 15% [SRO No. 157-AIN/IT/2022 da Cigarette business [tax 45% (additional 2.5% Capital Gain [tax @ 15%] Interest on Sanchaypatra [tax 10% (Final Pay, Income on which regular rate is applicable	2.5%, next 10 lac 2.56%, next 10 lac 2.500,000 300,000 1,000	Tk. 8,713,000 Tk. 8,713,000 Tk. 5,612,000

Tax Computation and Payment

•	Income	Rate	Tax
Tax on income under regular rate (workings)	Tk. 5,612,000	-	Tk. 1,160,500
Tax on poultry income (note 3)	2,500,000	-	100,000
Tax on income from cigarette business	300,000	45%	135,000
Tax on capital gain	1,000	15%	150
Tax on sanchaypatra interest	300,000	10%	30,000
Gross tax on total income	Tk. 8,713,000		Tk. 1,425,650

Diang induces of the Control			139,500
Less: Investment tax rebate (schedule 5)	Tk. 200,000	16.36%	32,720
Less: Tax credit on partnership profit (note 4)			Tk. 1,253,430
Net tax after tax rebate			
Add: Surcharge -	Tk. 1,253,430	20%	Tk. 250,686
Net wealth surcharge			75,000
Environmental protection surcharge	300,000	2.50%	7,500
Tobacco income surcharge			Tk. 1,586,616
Total amount payable			
Less: Payments - Tax deducted at source (30,000 + 5,000 + 3,000)	Tk. 38,000		
Advance tax	75,000		
Tax paid with return [Balancing figure]	1,473,616		
Total amount paid and adjusted			Tk. 1,586,616
Deficit or excess			Tk.
Tax exempted income			Tk. 3,3250,000

Schodule 5

Amount		
Tk.	100,000	
	200,000	
	500,000	
	10,000	
	120,000	
Tk.	930,000	
	Tk.	

Tax Rebate

A.	3% of total income*	(Tk. 56,12,000 @ 3%)	Tk.	168,360	Lower of
B.	15% on total investment allowance	(Tk. 930,000 @ 15%)	Tk.	139,500	A, B, and C,
C.	Tk. 1,000,000		Tk. I	,000,000	i.e., Tk. 139,500

^{*} excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable.

Workings: Gross tax on income under regular rate

	On first Tk. 350,000	On next Tk. 100,000	On next Tk. 400,000	On next Tk. 500,000	On next Tk. 500,000	On next Tk. 3,762,000	Total (Tk.) 5,612,000
Rate Tax	@ 0%	@ 5% 5,000	@ 10% 40,000	@ 15% 75,000	@20% 100,000	@ 25% 940,500	1,160,500

Notes: (1) 60% production cost will be applicable on sale of crops i.e. $(200.000 \times 60\%) = 120,000$ (2) Gain on sale of tractor - Capital gain (Sale proceeds - cost) i.e. (Tk. 26,000 - Tk. 25,000) = Tk. 1,000; revenue gain - (cost -WDV) i.e. (Tk. 25,000 – Tk. 23,000) = Tk. 2,000 (3) $[(1.000,000 \times 0\%) + (1.000,000 \times 5\%) + (500,000 \times 10\%) = (1.000,000 \times 5\%) + (1.000,000 \times 5\%)$ Tk. 100,000] (4) Average rate of tax = $(14,25,650 - 87,13,000) \times 100 = 16,36\%$ which is used to compute tax credit

KEY POINTS	
	As per section 30 of the ITA 2023 there are seven heads of income

- according to Income Tax Return Format it has been classified into 10 categories. ☐ For the assessment year 2024 – 2025, the limit of minimum taxable income is Tk. 350,000. In case of women, elderly citizens of being more than 65 years old Tk. 400,000, for third gender and disable person, the limit is Tk. 475,000 and for gazetted wounded freedom fighters Tk. 500,000.
- ☐ Incomes specified in Part 1 of the Sixth Schedule of the Income Tax Act, 2023 and some other incomes specified in different SROs are exempted from tax.
- As per section 78, a resident assessee will get tax rebate on investment allowance. ☐ There are some incomes on which a certain percentage of tax is deducted at source. It is required to gross up those income to compute tax payable income.
- ☐ An individual received any benefit in form of cash or kind from the employer will be considered as income under the head salary.
- ☐ Pension is exempted from tax.
- ☐ Repair and maintenance expense is admissible expense to the extent of 25% for house let out for residential purpose, 30% in case of the house is let out for commercial purpose, and 10% for other purpose.
- □ 10% TDS is applicable on any amount of Interest received on the post office savings deposit.
- ☐ Losses generated from any head are allowable to set off against income from other heads except business losses (including speculation business losses and tobacco business losses) and the losses under the head capital gain.

MULTIPLE CHOICE QUESTIONS

- number of heads of income? 1. IT Return Rules, 2023 specify in the "Specimen Form of Income" (d) 11 (c) 10 (a) 7 (b) 9
- 2. For the assessment year 2024 2025, the limit of minimum taxable income for a woman is -(c) Tk. 450,000 (d) Tk. 475,000 (b) Tk. 400,000 (a) Tk. 350,000
- 3. Minimum amount of tax applicable for an individual assessee in Dhaka city corporation area is -
- (d) No such limit exists (c) Tk. 5,000 (a) Tk. 4,000 (b) Tk. 3,000
- 4. Non-assessable income are specified in -
 - (a) 5th schedule, Part A (b) 5th schedule, Part B (c) 6th schedule, Part I (d) 6th schedule, Part B
- 5. Maximum amount eligible for such tax rebate on investment allowance is -
 - (c) 15% on actual inv, (d) lower of a, b & c (a) 3% of total income (b) Tk. 10,000,000
- 6. TDS rate for dividend income and interest from bank deposit is -(d) 20%
- (c) 15% (b) 10% (a) 5%
- 7. If agriculture is the only source of income for an assessee, exemption is up to -
- (c) Tk. 220,000 (d) Tk. 200,000 (b) Tk. 50,000 (a) Tk. 120,000
- 8. What is the tax rate on capital gain arises after five years from acquisition?
- (c) Higher of a & b
 - (b) Average rate (a) 15%
- (d) Lower of a & b

9. Double taxation relief is applicable for (a) salary income (b) agricultural income (c) securities income (d) foreign income 10. Tax is paid for (a) an income year (d) a subsequent year (b) an assessment year (c) a previous year

TRUE (T) OR FALSE (F) IDENTIFICATION

- 1. A non-resident foreigner assessee pays tax on foreign income.
- Maximum tax rate is 30% for an individual assessee.
- 3. Wealth surcharge is 10% if net assets is more than Tk. 4 but less than Tk. 10 crore,
- 4. 10% tax is deducted from income from Lottery, winning prizes etc.
- 5. No TDS is deducted from interest on pensioner and paribar sanchayapatra.

□F
□F
□F
□F
□F

DISCUSSION QUESTIONS (DQ)

- DQ17.1 Explain the scope and sources of total income for an individual assessee.
- DQ17.2 Enumerate the steps of computing total income and tax liability of an individual assessee.
- DQ17.3 Explain non assessable income with reference to sixth schedule part 1 of the ITA, 2023.
- DQ17.4 Explain tax rebate. State the method of computing tax rebate.
- DQ17.5 'An individual assessee is allowed to get tax rebate on certain investment' explain.
- DQ17.6 Enumerate the tax rate applicable for an individual assessee for the current assessment year.
- DQ17.7 What is the application of grossing up in computation of total income?
- DQ17.8 Write short note on:
 - ☐ Investment allowance

- ☐ Non assessable income
- ☐ Total taxable income ☐ Grossing up

PROBLEM CASES (PC)

PC17.1: Determine the total income and tax liability of Mr. Irfan Hasan from the following particulars relating to current income year.

rental value 1k. 120,000); He was provided with a 1500 cc full-time car for both		Income from employment: Basic salary (BS) Tk. 5,000 per month; dearness allowance @ 10% of BS; two festival bonuses equal to one month's BS each; commission & fee Tk. 3,000; cash allowance as compensation Tk. 20,000; annuity Tk. 18,000; advance salary Tk. 15,000; entertainment allowance Tk. 500 per month (actual expense Tk. 5,000); medical allowance Tk. 1,000 per month; retirement allowance/ pension Tk. 80,000. He contributes 10% of his BS to a recognized provident fund (RPF); servant allowance Tk. 200 per month; leave encashment Tk. 10,000; gratuity Tk. 15,000; student advisor allowance Tk. 600 per month; travel allowance Tk. 12,000; accrued salary of the last year has been received in the current year Tk. 10,000 which has not been included in the total income of last year; Tk. 250 per month has been received for launch at office. He was provided with a non-furnished house for which 10% of his basic salary is deducted (annual rental value Tk. 120,000); He was provided with a 1500 cc full-time car for both
--	--	---

personal and official uses. He is also given Tk. 1,200 per month as conveyance allowance. His employer spent Tk. 5,000 for maintenance of the car.

- Income from rent: He has a three storied house at Baridhara where he resides with his family on third floor. The ground floor of the house has been let out at a monthly rent of Tk. 10,000. His son-in-law uses the second floor of the house for his business purpose. The municipal value of the house is Tk. 400,000. Expenses relating to the house for the year were: maintenance and collection expense Tk 1,200; municipal tax Tk. 2,400; electricity bill Tk. 12,000; sewerage expense Tk. 2,000; guard salary Tk. 12,000; land revenue Tk. 2,600 per year; installment payment of HBFC loan Tk. 36,000 which includes interest of Tk. 3,600; fire insurance premium Tk. 2,800; legal charge Tk. 2,000; The tenant has borne owner's expense of Tk. 2,000; and Tk. 8,000 of the rent has not yet been collected
- Income from agricultural lands. He has agricultural lands from where his gross income from sale of paddy Tk. 65,000 and from sale of jute Tk. 42,000. On the other hand he has also received Tk. 31,000 as landlord. He did not keep proper accounts of cost of production but has maintained the proof of the following expenses: interest on borrowed capital Tk. 4,000; land development tax Tk. 1,600; insurance premium Tk. 1,400; maintenance of irrigation work Tk. 6,000; transportation cost Tk. 2,700; process cost Tk. 5,200. His other income includes: cash rentals of agricultural land Tk. 21,000; income from rent of a building solely used for business purpose Tk. 7,200; income from Tea estate Tk. 50,000; income from Rubber garden 32,000; income from sale of Palm juice Tk. 2,300; income from sale of honey Tk. 3,300; income from sale of fishes from pond Tk. 14,000; and income from sale of fruits and vegetables Tk. 5,300.
- Income from Business: He is a Homeopathic practitioner, and he receives Tk. 24,000 from this practice as visit fee; income from his departmental store Tk. 90,000 (Loss on last year Tk. 15,000); Loss on fast food business Tk. 23,000; and Loss from speculative business Tk. 6,000.
- ☐ Income from Partnership firm: Tk. 35,000
- ☐ Income from Wife's and minor son's property (they don't submit tax return). From wife's property Tk. 40,000 and from minor son's property Tk. 20,000.
- ☐ Capital gain: Sale of asset Tk. 12,000; cost Tk. 10,000 and book value Tk. 8,000. ☐ Income from financial assets: Interest on taxable government securities Tk. 4,000; Interest on 10% debenture - Tk. 10,000; Income from zero coupon bond - Tk. 10,000; Tk. 1,000 interest was paid for the loan taken to purchase the debenture
- Income from other sources: Dividend from a public limited company Tk. 9,000; dividend of private ltd. company Tk. 18,000; dividend from mutual fund unit fund Tk, 36,000; interest on savings account Tk. 2,700; prize of lottery Tk. 40,000; interest on fixed deposit Tk. 3,600; dividend of a public ltd. company Tk. 2,700; interest on postal savings account Tk. 1,600; income from writing book Tk. 8,000. income from examination scripts evaluation 1k. 4,200; income from Examination invigilation Tk. 3,400; income from word competition Tk. 7,000; prize of Prizebond Tk. 24,000; income from a private university as a part-time lecturer Tk

22,000; income from remuneration of director Tk. 14,000; income from rent of a shop owned by him Tk. 15,000; income from a newspaper for column writing Tk. 2 000: income from sale of forest timber Tk. 32,000; income from unused leased land Tk. 17,000; income from rental of machineries Tk. 9,000; gain from loan amortization Tk. 11,000; income from Boats Tk. 10,000; income from royalty Tk 26,000; and income from mooring terminal Tk. 3,000.

□ Foreign income: Income from foreign property Tk. 90,000 received through remittance and interest on foreign bank's deposit Tk. 13.000.

During the year he incurred expenses for and investment in: insurance premium, own Tk. 8,000 (policy value Tk. 42,000); insurance premium, spouse (policy value Tk. 40,000) Tk. 3,000; deposited monthly to pension scheme Tk. 600; educational expense of son Tk. 48,000; household expenses Tk. 108,000; donated to recognized fund Tk 15,000; purchase of savings certificate Tk. 24,000; purchase of unit certificate Tk 30,000; purchase of postal savings certificate Tk. 80,000; purchase of defense savings certificate Tk. 12,000; purchase of magazines and books Tk. 4,500; purchase of 10% company debenture (1st time acquisition) Tk. 10,000; donated to prime minister's relief fund Tk. 4,000; donated to recognized school Tk. 3,000; donated to a local sporting club Tk. 1,000; donated to Sir Salimullah Muslim Orphanage Tk. 5,000; the employer deducts monthly Tk. 500 as group insurance premium; donated to recognized welfare fund Tk. 3,600; donated to government zakat fund Tk. 1,800; gift to wife Tk. 75,000 purchased share of an unlisted company Tk. 25,000; purchased primary share of a listed company Tk. 15,000; purchased share of a listed company from Dhaka Stock exchange Tk. 30,000; donated to Bangladesh Sports Development Council Tk. 8,000; donated to President's relief fund Tk. 5,000; and advance payment for expenses Tk. 10,000.

PC17.2: From the following information calculate taxable income and tax liability of Mr. Khalil for the current income year: income from employment Tk. 600,000; income from rent Tk. 452,000; income from business Tk. 525,000; income from financial assets Tk. 35,000; and income from other sources Tk. 125,000. During the year Mr. Khalil incurred expenses for and investment in: insurance premium, own (policy value Tk. 600,000) Tk. 40,000; insurance premium, spouse (policy value Tk. 300,000) Tk. 30,000; deposited to pension scheme per month Tk. 1,250; educational expense of son Tk. 40,000; household expenses Tk. 262,000; donated to recognized fund Tk. 38,000; purchase of savings certificate Tk. 60,000; purchase of Defense savings certificate Tk. 20,000; purchase of 10% debenture Tk. 20,000; donated to prime minister's relief fund Tk. 45,000; donated to a local sporting club Tk 25,000; donated to Sir Salimullah Muslim Orphanage Tk.25,000; donated to recognized welfare fund Tk.12.500; donated to government zakat fund Tk. 35,500; gift to wife Tk. 75,000; purchased share of an unlisted company Tk. 25,000; purchased primary share of a listed company Tk. 45,000; purchased share of a listed company from DSE Tk. 40,000; donated to Bangladesh Sports Development Council Tk. 12,000; donated to President's relief fund Tk. 25,000; and purchase of a laptop Tk. 120,000.

PC17.3: Mr. Jashim has the following income for the current income year. Ascertain his total income and tax payable amount for the year. Mr. Jashim received basic salary (BS) of Tk. 32,000 in the last month of the income year following the salary scale of 26,000-3,000-35,000. The date of annual salary increment is 1^{st} April. Besides, he received dearness allowance @ 10% of BS; entertainment allowance and medical allowance @ 15% and @ 5% of BS respectively; annual bonus and fees Tk. 45,000; house rent allowance Tk. 14,000 per month; conveyance allowance Tk. 1,700 per month. He contributes 10% of BS to a recognized provident fund (RPF) and his employer also contributes the same in the fund. He contributes to old age fund @ 3% of BS. Mr. Jashim invested Tk. 70,000 in 12% taxable government securities, Tk. 250,000 in 15% debentures (purchased on 1st January of current year). He took 10% loan Tk. 350,000, of which Tk. 200,000 he used to purchase debenture. Bank charges 2.5% collection fee of these interests.

Mr. Jashim made and incurred investment and expenses during the said year for: life insurance premium Tk. 12,000, value of the policy worth Tk. 100,000; purchase of books Tk. 3,000 and purchase of scientific instruments Tk. 8,000; purchase of shares of approved company Tk. 15,000; donation to educational and religious institutions Tk. 7,000; donation to zakat fund Tk. 6,500; donation to president relief fund Tk. 15,000; donation to national sports federation Tk. 9,000; donation to a local club Tk. 10,000; donation to a blind school Tk. 25,000; purchase of a piece of land for Tk. 270,000 in the name of his wife and a sum of Tk. 12,000 was spent for its registration; Spent a sum of Tk. 17,000 as educational expenses of his children; purchase of ICB unit certificate Tk. 30,000; purchase of gold Tk. 32,000; an contribution to group insurance Tk. 1,800.

PC17.4: Mr. Fahad is the general manager of a private company. His sources of income for the current income year were: basic salary (BS) per month (pm) Tk. 38,000; medical allowance Tk. 2,500 pm; house rent allowance Tk. 19,500 pm; conveyance allowance Tk. 2,500 pm; he and his employer contribute 10% of the BS to a recognized provident fund and Tk. 3,500 per month has been deducted from his BS as advance tax. He also received interest from government securities Tk. 27,000; and interest received from debentures Tk. 36,000. He is also the owner of a house property from which he received annual rent (from half of the house) Tk. 3,15,000; municipal value for the house is Tk. 650,000; expenses related to the house for the year includes, payment for repair and maintenance Tk. 90,000; and municipal tax Tk. 9,000. He also received income by sale of agricultural crops Tk. 165,000. In the said year Mr. Fahad incurred investment and expenses for: life insurance premium Tk. 60,000; donation to local mosque Tk. 10,000; and purchase share from secondary market Tk. 54,000. From the above particulars of Mr. Fahad calculate tax liability for the year.

PC17.5: Mr. Newaz is the employee of a private textile firm. From the following particulars of his income for the current income year, calculate taxable income and tax liability. Mr. Newaz received basic salary (BS) Tk. 19,000 per month (p.m.); entertainment allowance Tk. 1,200 p.m; house rent allowance (actual rent paid Tk. 7,500 p.m) Tk. 10,000 p.m.; conveyance allowance Tk. 700 p.m.; medical allowance 7,500 p.m) Tk. 10,000 p.m.; conveyance allowance Tk. 700 p.m.; and bonus 3 month's Bs. Mr. (actual annual expenditure Tk. 8,000) Tk. 1,000 p.m.; and bonus 3 month's Bs. Mr. Newaz contributed 10% of Bs to recognized provident fund (RPF) and his employer nalso contributed the same amount. During the year, Mr. Newaz received interest from also contributed the same amount. During the year, Mr. Newaz received interest from 11% taxable government securities Tk. 22,500. He also invested Tk. 250,000 in 10% debentures on the first day of the income year. Bank charged him 5% as collection fees, debentures on the first day of the income year. Bank charged him 5% as collection fees, He also received dividend from a public limited company Tk. 4,500, interest from savings account Tk. 2,700 and won lottery of Tk. 210,000. He purchased savings certificate of Tk. 36,000 and donated Tk. 12,000 to Dhanmondi club during the year.

PC17.6: Followings are the income of Mr. Alam for the current income year. Calculate Mr. Alam's taxable income and tax liability for the year.

- □ Income from Employment: Basic salary per month (p.m.) Tk. 20,000; entertainment allowance p.m. Tk. 1,000; house rent allowance Tk. 11,000 p.m.; conveyance allowance Tk. 1,500 p.m.; medical allowance Tk. 500 p.m.; annual performance bonus equal to two and half month's basic salary; and festival bonus − 2 months basic salary. Mr. Alam contributed 10% of basic salary to Recognized Provident Fund. He has been provided with a 1500 cc car fully for his personal use. During the year his employer spent Tk. 48,000 for maintaining the car.
- Income from Rent: Mr. Alam is the owner of a three storied house at Dhanmondi, Dhaka. He let out each floor at a monthly rent of Tk. 15,000. Annual municipal value of the house is Tk. 600,000. Beside all the repair and maintenance expenses, he paid municipal tax of Tk. 6,500; insurance premium Tk. 22,300; interest on mortgage loan Tk. 2,700 for the house. The ground floor remains vacant for 2 months during the year for which he has sufficient proof to provide. Besides one month's rent from the ground floor also becomes uncollectible during the year.
- ☐ Income from Business: Profit from sole proprietorship business Tk. 85,000. In the previous year he incurred loss of Tk. 20,000 in the same business and carry forward Tk. 7,000 for set off in this year. During the year he also generated profit from partnership firm Tk. 55,000.
- ☐ Other incomes: Dividend received Tk. 45,000 from a private limited company; and interest received form bank savings account Tk. 3,600.

During the year Mr. Alam paid Tk. 60,000 and Tk. 45,000 as insurance premium for his own and his spouse respectively. He purchased share of a company from primary market Tk. 7,500. He also purchased medical books for Tk. 12,000 during the year. He donated Tk. 32,500 to prime minister's relief fund; Tk. 12,000 to his relatives and Tk. 25,000 to Aga Khan Development Foundation.

PC17.7: Mr. Azimul Hoque presents the following particulars of income for the current income year. Compute his total taxable income and tax liability for the year.

□ Income from Employment. Basic salary (BS) on 1st August, 2024 was Tk. 11,200 in the scale of 8,500–900×10–17,500 (increment date: 1st April). He received

dearness allowance @ 8% of BS and medical allowance of Tk. 700 per month. He received two bonuses each equivalent to one month's BS, both received before the date of increment. He contributes 10% of his BS to a statutory provident fund. He has been provided with a rent-free quarter (annual rental value Tk. 72,000) for which 5% of BS is deducted. He has been provided with a car for office use for which Tk. 300 per month is charged.

- Income from Rent: He has a house. Half of the house is let out at Tk. 30,000 per month and the other half is used for his residence. He has also signed supplementary agreements with the tenants and based on that he receives Tk. 6,000 for repair and maintenance, and Tk. 4,000 as service charge. The annual value of each flat is set as Tk. 360,000. From the tenant, in the income year 2023-2024, he received advances of Tk 500,000 (to be adjustable against rent Tk. 10,000 per month) and Tk. 200,000 for security deposit (not adjustable against rent). Expenses of the house for the year were as follows: Land development tax Tk. 5,500; Interest on H.B.F.C. Loan Tk. 30,000; maintenance for Water Pump, etc. Tk. 2,000 and Municipal Taxes Tk. 4,400. The house remained vacant for one month during the year with proof.
- ☐ Agricultural Income: Income from rubber garden Tk. 35,000 and Sale of Agriproducts Tk. 620,000. Other expenses (excluding production cost) relating to agricultural were Tk. 25,000.
- □ Business Income: Income from sole-tradership business Tk. 77,000; last year's loss carried forward Tk. 11,000.
- Other income: Prize of Prize Bond Tk. 22,000; Interest on Bank Deposits (Gross) Tk. 9,000; Dividend income Tk. 18,000; Profit from Islami Bank Tk. 7,000; and Interest on 5-year Bangladesh Savings Certificate Tk. 27,000.

During the year he incurred expenses for: family expenses Tk. 280,000; insurance premium, own Tk. 60,000 (policy value Tk. 500,000) and for spouse Tk. 30,000 (policy value Tk. 400,000); purchased share of: in unlisted company Tk. 25,000, of a listed company Tk. 20,000, and from stock exchange Tk. 90,000; purchased books Tk. 4,000; donated to Prime Minister's Relief Fund Tk. 10,000; deposited to pension scheme per month Tk. 500; and paid to Zakat fund Tk. 3,000.

PC17.8: Mr. Selim is the chief accountant of a public limited company. His sources of income for the current income year were as follows:

- Income from Employment: Basic salary (per month) Tk. 22,000; Entertainment Allowance 5% of basic salary; Medical Allowance 10% of basic salary; Two Bonus (each equal to one month's basic salary); Mr. Selim has been provided with a rent free furnished house annual rental value of which was Tk. 96,000 and a full time car for his personal use. He contributed 10% of basic salary to Recognized Provident Fund (RPF) and his employer also contributed the same amount.
- ☐ Income from House Property: Tk. 348,000
- ☐ Income from Agriculture: Income from tea garden Tk. 32,000 and other agricultural income Tk. 25,000.

]	Income from Business or Profession: Income from 3000 properties of Profession.
	237,000, and last year's loss carried forward Tk. 17,000.
1	National Action of the Colin purchased a machine for his sole proprietorship dustiles
	on 1st August 2013 at Tk. 75,000. On 31st March 2024 it was sold for Tk. 82,000
	when the WDV was Tk. 60,000.
1	Emparage on Sanchaynatra: Tk. 35,000
1	Other income: Dividend from Mutual Fund 1k. 25,000; dividend from Unit Fund
•	Tk 21 000: dividend from a limited company Tk. 9,000; interest from bank deposit
	Tk. 5,400; interest from 3-year Bangladesh savings certificate Tk. 18,000; royalt
	received as an author Tk. 55,000; and Prize of lottery Tk. 75,000.

from sale proprietorship business Tu

Mr. Selim made and incurred the forlowing investment and expenses respectively during the said year: life insurance premium Tk. 40,000; value of the policy worth Tk. 600,000; deposited to pension scheme per month Tk. 2,500; household expenses Tk. 1,78,000; investment in primary share of a listed company Tk. 30,000; investment in Recognized Provident Fund (RPF) both by employee and employer total Tk. 52,800; donated to prime minister's relief fund Tk. 95,000; purchase of ICB certificate Tk. 35,000. Ascertain his tax to be paid in the assessment year.

PC17.9: Mr. Miskat is a service holder. Calculate his tax liability considering the following sources of income for the current income year: basic salary (BS) Tk. 15,500 per month (pm), medical allowance Tk. 1,500 pm, conveyance allowance 10% of BS, performance bonus 3 months BS, and leave encashment 15 days leave. He has been provided with a 1500 cc car for personal use and also a rent-free furnished house with annual rental value of Tk. 60,000. During the year he has been disbursed with Tk. 16,000 of medical expense spent for eye surgery. He received two festival bonuses each equal to a month's BS. He contributed 10% of BS to recognized provident fund (RPF) and his employer also contributed 8% to the fund.

Mr. Miskat received Tk. 310,000 from the sale of agri-products and Tk. 15,000 from rentals of agricultural land. He did not maintain any books of accounts regarding income from agriculture, but he submitted following details of expenses – land development tax Tk. 4,100; local tax Tk. 3,750; insurance premium Tk. 8,500; maintenance cost of irrigation plant Tk. 12,650 and Tk. 6,350 as interest on loan taken from Krishi Bank. According to ITA he is allowed to charge depreciation Tk. 3,500 against the machineries used for agricultural purposes.

During the year he earned the followings from different other sources – Tk. 18,500 from sale of fishes from pond; dividend from ICB unit certificate Tk. 11,000; dividend from private limited company Tk. 6,750; interest on bank deposit Tk. 7,200; profit from Islami Bank Tk. 7,500 and interest on 3-year Bangladesh savings certificate Tk. 18,000. He purchased shares worth Tk. 100,000 of an approved company (public) in the income year and disposed it off within six months of the purchase making a gain of Tk. 120,000. He was the original allottee of the shares.

During the year he incurred and made the following expenses and investments: insurance premium paid (policy value Tk. 400,000) Tk. 40,000; purchase primary share of a listed company Tk. 35,000; purchased Law and academic books Tk. 5,000; donated to Deposit pension Scheme per month Tk. 2,000; paid to Zakat Fund Tk. 15,000; purchase of savings certificate Tk. 28,000.

PC17.10: Mr. Gomes furnished the following particulars of his income for the current income year. Calculate his taxable income and net tax liability for the year.

☐ Income from employment: (after all adjustment following ITA, 2023) Tk. 422,500.

☐ Income from Rent: Mr. Gomes is the owner of a three-storied building at Mohakhali. Mr. Gomes resides with his family on the 2nd floor, the ground floor is used by his son as medical chamber and the other floor is let out at a monthly rent of Tk. 15,500. The following expenses were incurred during the income year for that house: city corporation tax Tk. 2,200 per quarter; White wash expense Tk. 25,000; Insurance premium Tk. 12,000; Electricity for water pump Tk. 3,000; Caretaker's salary Tk. 2,500 per month (which was paid by the tenants); Land revenue paid Tk. 3,300; Mortgage loan paid Tk. 45,400 (of which Tk. 40,000 is principal on loan); Interest paid to HBFC Tk. 2,400; and Alteration cost for ground floor Tk. 37,000.

☐ Income from Agriculture: Sale of Jute 310 maunds @ Tk. 250 per maund and Income from rubber garden Tk. 80,000.

☐ Income from Business: Share of profit from Partnership firm Tk. 85,000; and Profit from sole proprietorship business Tk. 75,000.

During the year he incurred and made expenses for and investments in: life insurance premium paid Tk. 68,000; purchase of shares: unlisted company Tk. 28,000 and listed company Tk. 42,000; donated to: Prime Minister's Relief Fund Tk. 55,000, religious institution Tk. 8,000 and local club Tk. 3,000; deposited to pension scheme per month Tk. 2,000; and purchase of books Tk. 6,000.

PC17.11: Mr. Milky, CEO of a Multinational Company in Bangladesh, has got the following income for the current income year. You'are required to calculate the total income and tax payable of Mr. Milky considering: basic pay Tk. 150,000 per month (p.m.) sent to his bank account; rent free accommodation fully furnished by the company; 2700 cc full time company car for his own use and for his family; company pays Tk. 100,000 p.m. for his three school going children which is paid to the school authority directly. He received two festival bonuses equivalent to basic pay during the festival time which he spent partly for his family and partly for the poor people in his village; driver's salary Tk. 10,000 p.m. paid to his driver's bank account; company paid Tk. 300,000 to him during the year being the reimbursement of various utility bills of his house; mobile bill paid Tk. 5,000 per month. He was paid Tk. 1,000,000 for his overseas travels for the official trip out of which he saved 25% during the year; He was paid for international club Tk. 250,000; He received interest on debentures Tk. 150,000

on his investments; He has got one house of his own at Baridhara and he received total Tk. 1,200,000 as rent during that income year; He paid Tk. 150,000 as life insurance premium for himself. He invested Tk. 1,500,000 on government bonds and primary shares of various companies; and received dividend Tk. 150,000 during the year.

PC17.12: Mr. Abi is a salaried employee of a private company. His salaries and allowances are as follows, based on which compute his tax for the current assessment year basic salary Tk. 25,000 per month; House rent allowance Tk. 17,000 per month; Conveyance allowance Tk. 2,000 per month; Entertainment allowance Tk. 1,000 per month; Two months salary paid as bonus for the relevant income year; He contributed Tk. 2,500 to his provident fund while his employer contributes and equal amount; He has let out his house property to a foreign mission as office. The rent he gets is Tk. 60,000 per month; He has sold one vacant plot of land at Tk. 2,500,000 which he purchased seven years back at Tk. 1,000,000. The gain derived from this property has been invested in the purchase of shares of a public limited company; He also sold another building and land appurtenant thereto at Tk. 2,000,000. This property was acquired in 1978 at Tk. 300,000. He informed the DCT that another house property will be purchased for office like the old one in about a year's time; He sold savings certificates purchased two years back at Tk. 47,000. He purchased 5 years sanchoy patra during the same year at a cost of Tk. 200,000.

PC17.13: Miss Fatema is the Finance Controller of a Manufacturing company, had the following income under different head for the current income year. You are required to compute the total income and tax of Miss Fatema for the year considering her allowable investment is Tk. 250,000 for the year.

- Income from Employment: Basic Salary (BS) Tk. 35,000 per month; Miss Fatema has been provided a rent free full furnished accommodation for which the company paid monthly rent of Tk. 20,000; entertainment allowance Tk. 2,000 per month; medical allowance @ 10% of BS; incentive bonus Tk. 200,000; advance salary Tk. 35,000; leave fare assistance received Tk. 120,000 for traveling abroad (actual spending Tk. 110,000) as a part of her agreement. She is provided with a servant at a monthly salary of Tk. 3,000; She has been provided with a 1500cc full time car; She contributed Tk. 3,000 per month to a RPF where her employer also contributes the same amount.
- ☐ Interest on other sources: Interest on taxable government securities Tk. 20,000 (gross); interest on debentures Tk. 48,000; these interests were collected by a bank for a 5% collection fees. Miss Fatema borrowed Tk. 100,000 @ 10% interest to finance investment in debentures. She received remuneration as consultant Tk. 45,000; income from letting agricultural land Tk. 20,000; dividend from a limited company Tk. 18,000; sale of pond fish Tk. 8,000; and minor's income Tk. 23,000.

PC17.14: Mr. Asmit has been working in a private firm starting with a basic pay of Tk. 20,000 with 10% increase in every year which results a monthly salary of Tk.

27,500 at the last month of current income year. The date of annual increment was 1st October. He is also entitled to a house rent allowance @ 60% of basic salary; profit bonus @ 1.5% of net profit of the firm; two festival bonuses each equal to a month's basic pay (both received after increment) and a 1500cc full-time car. Mr. Asmit contributed 10% of basic salary to RPF and his employer also contributes the same percentage in that fund. During the year net profit of that firm was Tk. 7,500,000.

Mr. Asmit is the owner of a two storied building at Baridhara, Dhaka and he let out the whole building at a monthly rent of Tk. 27,000. Besides all other maintenance expense, he paid municipal tax of Tk. 1,500 per quarter for that house. Mr. Asmit took a loan of Tk. 1,000,000 @ 14% from a bank by placing that house as collateral to meet the construction cost. During the year he paid installment of loan Tk. 54,720 (including interest of Tk. 4,800).

During the year Mr. Asmit visit Pakistan as a consultant and generated Tk. 200,000 and he paid income tax @ 25% in Pakistan as per DTA. From another visit to Russia, he generated Tk. 300,000 and paid income tax @ 20%. Mr. Asmit has received Tk. 3,600 as interest from the savings account of his minor child and he has purchased shares of Tk. 200,000 of Public Limited Companies in the name of his wife from which his wife has received Tk. 54,000 as dividend.

Ascertain total taxable income and tax liability for Mr. Asmit for the assessment year 2024 – 2025. Consider allowable investment for the year is Tk. 250,000 and his wife did not submit any return in her name.

PC17.15: Ms. Tarana Amin has the following sources of income for the current income year. Calculate Ms. Halim's taxable income and tax liability for the year.

- Income from Employment: Basic salary (BS) Tk. 12,000 per month (pm); dearness allowance 20% of BS; two festival and one performance bonuses each equivalent to one month's BS; medical allowance Tk. 1,000 pm; conveyance allowance Tk. 2,000 pm; conveyance allowance Tk. 2,000 pm; house rent allowance 60% of the BS. She contributes 10% of her BS to an un-recognized provident fund. Her employer also contributes the same amount. She has been rewarded with a travel allowance of Tk. 50,000 for travel to Maldives (actual spending Tk. 45,000) as recognition of her good performance. This allowance was not as a part of his regular contract.
- Interest on Rent: She owns two houses in Mirpur. She uses one of the houses as his residence and another one has been let out for commercial purpose at a rate of Tk. 12,000 per month. The municipal values of both the houses are Tk. 100,000 and Tk. 120,000 per annum respectively. During the year, she has spent Tk. 15,000 for the house he uses as residence and the expenses for the let-out house were: repairs Tk. 6,000; legal charges Tk. 4,000; municipal tax Tk. 1,500; land revenue Tk. 1,000; and salary of the caretaker Tk. 10,000. During the year, the house remained vacant during June.

Aug top con

- ☐ Agricultural income: Sale of crops Tk. 15,000; Income from lease of agricultural land Tk. 12,000; Income from sale of sugarcane Tk. 10,000; and Income from rubber garden Tk. 12,000.
- □ Capital gain: She purchased 750 shares worth Tk. 75,000 of a listed company in the current income year and sold all in the same income year at Tk. 100,000. Moreover, she has sold a 3 Katha plot in Dhaka at Tk. 1,000,000 the cost of which is Tk. 600,000. TDS paid by him Tk. 50,000 at the time of registration.
- ☐ Other sources: Interest on taxable government securities Tk. 6,300; interest on debentures Tk. 15,000; and interest on Zero Coupon Bond Tk. 3,000; Interest income from savings bank account Tk. 1,800; interest on post office savings bank account Tk. 900; dividend from a private limited company Tk. 1,800; sale of fish from pond Tk. 2,000; royalty from government Tk. 10,000; honorarium as a guest lecturer Tk. 25,000; and prize of National Heart Foundation Lottery Tk. 50,000
- □ Investment claimed by Ms. Tarana Amin: Payment of life insurance premium Tk. 12,000 (Policy value Tk. 100,000); Donated to a Mosque Tk. 500; Purchase of books Tk. 1,000; Purchase share of a co-operative society Tk. 2,000; Contribution to: NTV Relief Fund Tk. 3,000, one of his poor relatives as Zakat Tk. 2,500 and Contribution to Ahsania Mission Cancer Hospital Tk. 20,000.

PC17.16: Calculate taxable income and tax liability of Ms. Surma Zoha a university teacher for the current assessment year. Ms. Zoha received Basic salary including two festival bonuses for the year total Tk. 700,000. The authority deducted @ 10% TDS. She contributed 10% of the receipt amount to her RPF and her authority also contributed the same amount to the RPF. She is the owner of a four storied building at Dhanmondi received as gift from her father. She resides in the second floor with family and all other floors (in each floor there are two flats) are let out at a monthly rent of Tk. 14,000 per flat. The municipal value of the house is 15,00,000. One flat remains vacant for 2 months.

She has agricultural land in her village from which she sold crops Tk. 65,000; a timber tree Tk. 17,000 and jute Tk. 28,000. She didn't maintain any books of account. She operates a stationary shop from where she earns profit of Tk. 178,000 during the income year. She also received Tk. 33,000 from her electronics business. In the previous year she had loss from electronics business Tk. 47,000 which she carried forward this year. She also taught in another private university and received honorarium Tk. 135,000 and for participating to a seminar Tk. 18,000.

She incurred expenses for the house in the year are: Repair and maintenance Tk.250,000; City Corporation tax Tk. 22,000; Insurance premium Tk. 18,000; Caretaker and Night Guard salary Tk. 2,25,000; Land revenue Tk. 8,550; Mortgage interest paid Tk. 25,000; She paid interest to Mercantile bank Tk. 50,000 which she borrowed for renovation the house; life insurance premium Tk. 35,000 (policy value Tk. 400,000); Donation to Zakat fund Tk. 25,000; purchased gold for Tk. 165,000 and purchased book for Tk. 12,000. She paid salary to the driver 180,000 during the year.

PC17.17: Mr. Mahid is the chief accountant of a private company. Considering the following data ascertain his total income and tax to be paid for the current income year.

- Income from Employment Tk. 300,000; income from security Tk. 15,000; income from house property Tk. 250,000; agriculture income includes: income from tea garden Tk. 15,000 and other agricultural income Tk. 30,000; income from business or profession includes: income from sole proprietorship business Tk. 360,000 (last year's loss carried forward Tk. 20,000); dividend from mutual fund Tk. 27,000; dividend from unit fund Tk. 18,000; dividend from a limited company Tk. 27,000; interest from bank deposit Tk. 2,700; interest from post office savings bank Tk. 27,000; royalty received as an author Tk. 45,000.
- □ Mr. Mahid purchased a machine for his sole proprietorship business on 1st August 2014 at Tk. 180,000. On 31st March of this income year, it was sold for Tk. 210,000 when the written down value (WDV) was Tk. 120,000. Mr. Mahid made investment and expenses during the said year for: life insurance premium Tk. 12,000 (policy worth Tk. 100,000); deposited to pension scheme per month Tk. 1,000; household expenses Tk. 18,000; investment in primary share of a listed company Tk. 20,000; investment in Recognized Provident Fund (RPF) both by employee and employer total Tk. 36,000; donated to prime minister's relief fund Tk. 100,000; and purchase of ICB certificate Tk. 20,000.

PC17.18: Mr. Arshad Amin is an executive of a private firm. He receives basic salary (BS) of Tk. 35,000 per month (pm) with allowances for medical Tk. 3,000 pm; dearness 10% of BS; entertainment 5% of BS; house rent Tk. 20,000 pm, and travel Tk. 45,000. He also received two festival bonuses (each equal to one month's BS) and performance bonus equal to four months' BS. The company provides him a 1500cc full time car that he can use for his personal purposes also. He received Tk. 16,500 as leave encashment during the year. He contributes 10% of BS to a recognized provident fund (RPF) and his employer also contributes the same percentage to that fund. He also contributes 1% of BS to welfare fund and 2% of BS to Zakat fund. He received interest from the RPF Tk. 12,500.

Mr. Arshad is the owner of a two storied building that he let out at the following monthly rent: ground floor Tk. 8,000 and first floor Tk. 10,000. All this rent is inclusive of gas and water bill for which he also spent Tk. 22,000 in that year. He has received advance of Tk. 200,000 as security deposit. Other expenses relating to the house are – municipal tax Tk. 4,000; caretaker salary Tk. 2,000 per month; maintenance expense Tk. 60,000; fire insurance Tk. 3,000 per quarter, and interest on mortgage loan Tk. 6,500.

11

Mr. Arshad operates a stationary shop from where he earns a profit of Tk. 140,000 during the year. He also received Tk. 22,000 from his electronics business. In the previous year he had loss from electronics business Tk. 40,000 that he carried forward this year. The tax authority identified a piece of land situated at Baridhara, Dhaka was

registered in the name of Mr. Arshad Amin, That land was purchased at Tk. 2,000,000 which the authority believes was undervalued by 10%. During the year Mr. Amin which the authority believes was undervalued by 10%. Calculate Mr. Arshad Amin's total received Tk. 22,500 as profit from Islami Bank. Calculate Mr. Arshad Amin's total taxable income and net tax liability for the current income year considering his eligible amount of allowable investment for the year is Tk. 220,000.

PC17.19: Followings are the income of Mr. Akhand for the current income year.

- □ Mr. Akhand is the sales manager of Navana Traders. He received basic salary (BS) of Tk. 33,500 per month; 10% of BS as medical allowance; 60% of BS as house rent allowance; Tk. 3,500 per month as conveyance allowance, and 1% of sales as commission. Mr. Akhand is entitled to use the office car to conduct business affairs. The firm deducts 10% of BS as contribution to recognized provident fund (RPF); 2% of BS as contribution to old age fund and monthly Tk. 1,000 as income tax. The employer also contributes the same percentage to RPF as Mr. Akhand contributed. 10% of BS. Navana Traders sales revenue for the year is Tk. 82 lacs. Considering the good performance, the firm declared performance bonus to all employees equal to 3 times of BS. Besides this, all employee received two festival bonuses each equal to half month's BS or Tk. 18,000 whichever is higher. TDS on salary is Tk. 12,000.
- Mr. Akhand owns a house at Baridhara, Dhaka, where he lives with his family. He could have let out the house at a monthly rent of Tk. 30,000.
- Mr. Akhand received Tk. 70,000 from the sale of agri-products. He maintained all the records of expenses relating to agriculture. As per the record, he paid Tk. 40,000 cultivation expense including labor cost; Tk. 3,515 for local rates and taxes; Tk. 18,000 insurance premium and interest on loan Tk. 15,000.
- Mr. Akhand also received Tk. 3,600 interest on post office deposit, Tk. 52,000 from sale of river fish and Tk. 58,500 dividend from a public limited company.

During the year Mr. Akhand incurred investments in life insurance premium (policy value Tk. 100,000) Tk. 9,000; deposited in a pension scheme Tk. 6,000 per month; purchased of a laptop Tk. 150,000; donation to: zakat fund Tk. 148,000, local madrasa Tk. 28,000, Bangladesh Football Federation Tk. 24,000; purchase of motor car Tk. 650,000. Calculate taxable income & tax liability of Mr. Akhand for the year.

PC17.20: Ms. Afroza Rahman is the chief accountant of a private limited company. Her sources of income for the current income year include basic salary (BS) Tk. 25,000 per month (pm); medical allowance Tk. 2,500 pm; conveyance allowance Tk. 3,625 pm; mobile bill allowance Tk. 3,000 pm; dearness allowance 5% of BS; two festival bonus, each equal to one month's BS. Ms. Rahman has been provided with a house for which the company pays rent of Tk. 15,000 pm. Annual rental value of the house is Tk. 300.000. Beside, she has been provided a servant for whom company pays a monthly salary of Tk. 2,500. She also enjoys the benefit of a 1500cc full time car for which the company paid maintenance expense of Tk. 20,000 during the year. She uses the car both for personal

and office purposes. She contributed 10% of BS to a recognized provident fund (RPF) and her employer also contributed the same amount. She contributed five days BS to a sick employee. The company deducted monthly Tk. 2,000 from her salary as income tax.

Ms. Rahman is the owner of a sole proprietorship business from where she earned net profit of Tk. 595,000 during the current fiscal year. This profit figure is after deduction of salary paid to Ms. Rahman Tk. 96,000; research & development expense Tk. 37,000; fund embezzlement occurred during office hour Tk. 2,500 and depreciation Tk. 45,000. For tax purpose depreciation is allowable by Tk. 37,000. She sold her three-storied building for Tk. 2,300,000 in December of current income year, which was purchased on March 2012 for Tk. 1,500,000. In January 2013, the building was extended at a total cost of Tk. 100,000. He paid Tk. 70,000 as TDS during the registration.

Ms. Rahman sold 200 mounds of rice @ Tk. 585 per mound and rabi crops Tk. 35,000 that was grown in her cultivable land. She kept records of all expenses with proper books of accounts. According to her statement expenses relating to cultivation and others are: labor charge Tk. 30,000; cost of seeds and fertilizer Tk. 25,000; union parishad tax Tk. 3,250; crop insurance premium Tk. 2,000 per quarter; depreciation cost Tk. 16,000. Ms. Rahman charge depreciation at a flat rate of 15% on the assets used for agricultural purposes which are: tractor (worth Tk. 50,000), power pumping machine (worth Tk. 15,000), weighing machine (worth Tk. 15,000), and cost of irrigation channel (worth Tk. 10,000). Ms. Rahman also generated income from tea garden Tk. 80,000; sale of share Tk. 20,000 (cost Tk. 12,000); sale of palm juice Tk. 5,000, sale of pond fish Tk. 8,000 and interest on post office savings bank Tk. 18,000.

Considering the following investments for the year, calculate her tax liability: insurance premium paid Tk. 80,000 (policy value Tk. 1,000,000); son's educational expense paid Tk. 44,000; donated to recognized fund Tk. 115,000; contributed Tk. 2,000 per month in DPS; purchased unlisted company's share, family savings certificate, and tax-exempt government securities respectively for Tk. 25,000, Tk. 80,000, and Tk. 112,000.

PC17.21: Mr. Siddiqur Rahman works as the Head of Marketing of Edison Electronics Limited. During the current income year, he received basic salary (BS) of Tk. 50,000 per month. Other benefits and allowances include: medical allowance Tk. 7,500 per month; 2 month's BS as festival bonus and one month's basic as incentive allowance annually. He has been provided with a rent-free furnished house having annual rental value of Tk. 1,44,000 and a 2600cc full-time car for his personal use. He and his employer contribute 10% of BS to recognized provident fund. He received Tk. 3,000 monthly entertainment allowance. He has also been provided with telephone facilities at office and residence. The bills for this telephone amounted to Tk. 36,000 and Tk. 20,000 for the year.

Mr. Rahman has a house at Bashundhara Residential Area, Dhaka which has been let out at Tk. 50,000 per month. The expenses for the house includes repair expenses Tk.

30,000; salary of caretaker Tk. 24,000; city corporation tax Tk. 10,000; and installment of HBFC Loan (including interest Tk. 30,000) Tk. 180,000. During the year he sold agri-products Tk. 250,000 and received cash rental of agricultural land Tk. 80,000. He also sold honey for Tk. 20,000. Expenses relating to agriculture were - local rates and taxes Tk. 5,000, insurance premium Tk. 8,000; interest on loan Tk. 15,000 and land development Tk. 25,000.

During the year he had income from 10% debentures as interest Tk. 19,000; investment on 12% debentures Tk. 1,00,000 and Tk. 72,000 as interest (net of tax) on 5-Year Bangladesh Sanchaypatra. The Bank has charged Tk. 200 for collecting interest on tax-debenture. He has a sole tradership business from which he received profit of Tk. 1,20,000. In the last year the business carried forwarded a loss of Tk. 35,000.

His income from different other sources include interest on bank deposits Tk. 40,000; receipt from gift Tk. 30,000; receipt from Deposit Pension Scheme on maturity Tk. 1,20,000 (interest Tk. 20,000); sale of car Tk. 5,50,000 (cost of the car was Tk. 8,00,000 and depreciation so far charged Tk. 3,00,000); prize for passing departmental exam Tk. 30,000. His investments during the year were in: life insurance premium Tk. 55,000; donation to ICDDRB Tk. 12,000; purchase of ICB unit certificate Tk. 75,000; purchase of share from IPO Tk. 78,000 of which Tk. 25,000 has been provided from sale of share purchased in last year (purchase value of which was Tk. 28,000); contribution to Government Zakat Fund Tk. 12,000; and contribution to Muktijuddho Jadughar Tk. 32,000. Compute the total income and tax payable by Mr. Siddiqur Rahman for the year.

PC17.22: Mr. Jasim Uddin works as an executive in ACI Ltd. He has the following sources of income, expenses, and investment for the current income year. Calculate Mr. Jasim's taxable income and tax liability for the year.

☐ Income from Employment: Basic Salary (BS) Tk. 40,000 per month (pm); dearness allowance 20% of BS; two festival bonuses and one performance bonus each equivalent to one month's BS; medical allowance Tk. 1,000 pm; conveyance allowance Tk. 2,000 pm. He has been provided with a 1500 cc car both for official and personal use. He received a free air ticket, market value of which is Tk. 10,000 during the year for official tour.

He has also been provided with a furnished house for which he pays 20% of his BS. Annual rental value of the house is Tk. 260,000. He and his employer contributed 10% of his BS to a recognized provident fund (RPF). He has been given an offer to receive 1000 shares (face value Tk. 10 per share) under the Employee Share Scheme by the organization at a 10% discounted price with an option to transfer or sale the right to a third party. He transferred the right to another person at a price of Tk. 15 per share on May 10, 2024. He also received Tk. 27,600 as arrear salary of last year for which no tax has been charged earlier.

_	in the mouses in thinput. He uses one of the
	his residence and the other one has been let out for commercial purpose for Tk.
	12,000 monthly rent. The municipal value of the houses are Tk. 100,000 and Tk.
	120,000 per annum respectively. During the year, he spent Tk. 15,000 for the
	residential house and expenses for the let-out house includes, repairs Tk. 46,000;
	legal charges Tk. 4,000; municipal tax Tk. 1,500; land revenue Tk. 1,000. During
	the year, the let-out house remained vacant during June with proof.
	Agricultural income: Sale of crops Tk. 15,000; income from lease of agricultural
	land Tk. 12,000; income from tea and rubber garden Tk. 10,000 and Tk. 12,000.
	Capital gain: He has sold a car used in his business for Tk. 150,000. The cost of
	the car was Tk. 100,000 and accumulated depreciation on disposal was Tk. 80,000.
	Interest incomes: Interest on taxable government securities Tk. 6,650; interest on
	debentures Tk. 14,250 and interest on zero coupon bond Tk. 3,000: Interest income
	from savings bank account Tk. 1,800; interest on post office savings bank account
	Tk. 810; dividend from a public limited company Tk. 1,800;
	Income from other sources: sale of fish from pond Tk. 4,000; royalty from writing
	an Income Tax related book Tk. 10.000; honorarium as a guest lecturer Tk. 25,000.

Income from Rent: He owns two houses in Mirror. He uses one of the houses as

Investments claimed by Mr. Jasim: Payment of his own life insurance premium Tk. 12,000 (policy value Tk. 100,000); payment of his wife's life insurance premium Tk. 8,000 (policy value Tk. 100,000); purchase of a unlisted company's share Tk. 5,000; share purchase of a co-operative society Tk. 2,000; contributed to NTV relief fund Tk. 3,000; paid zakat to one of his poor relative Tk. 2,500; purchase of diamond jewellery for wife Tk. 300,000; purchase of books and magazines Tk. 1,000; purchase of 5-year Bangladesh Savings Certificate Tk. 20,000; contributed to Lab Aid Hospital Tk. 50,000; and donation to a political party Tk. 250,000.

PC17.23: Ms. Veronica Rozario furnished the following particulars of her income for the current income year. Compute her total income and tax liability for the year.

Ms. Veronica Rozario is an assistant professor of a private university from where
she receives basic salary (BS) under the pay scale of $35,000 - 3,500 \times 4 - 49,000$.
In January of the current fiscal year she received BS of Tk. 38,500 and her annual
salary increment date is 1st November. Besides, she received house rent allowance
@ 40% of BS; medical allowance Tk. 1,000 per month; entertainment allowance
Tk. 17,200 during the year (actual expense Tk. 14,800); she has been provided with
a 1500 cc car for official purposes. She also received 2 festival bonuses (in October
and December) and one performance bonus (in June) each equal to a month's BS.
She and her employer contributed 10% of her BS to a recognized provident fund
(RPF). She received Tk. 30,000 interest @ 15% on the accumulated balance of
RPF and contributes 5% of BS to a group insurance. TDS on salary Tk. 66,000.
She is the owner of a three-storied building at Mirpur. She resides with her family

on one floor and the other two floors were let out to a coaching center. According to the agreements the tenants must deposit Tk 50,000 per floor to her bank account

on a monthly basis. In the income year 2023-2024, she received advances of T_k 400,000 (to be adjustable against rent Tk. 20,000 per floor per month) and T_k . 5,00,000 for security deposit (not adjustable against rent) from each tenant. During the current income year, according to the agreement, the tenants paid service charges Tk. 40,000 in total. She also received Tk. 10,000 for letting out the lawn to an NGO for a vaccination program. During the year, one floor was vacant for one month and she has the electricity bill as proof. She paid the following expenses related to the property for the year: repair expenses Tk. 190,000; city corporation tax Tk. 24,000; insurance premium Tk. 15,000; caretaker and night guard salary Tk. 24,000; painting cost of the building Tk. 15,000; land revenue paid Tk. 3,000; mortgage interest paid Tk. 60,000; legal expense Tk. 6,000; alteration cost for ground floor Tk. 30,000; installation of generator Tk. 50,000; and fuel cost of generator Tk. 20,000. Compute income from rent for the year.

- □ Sale of rice 180 maunds @ Tk. 480 per maund; income from tea garden Tk. 120,000; income from lease of agricultural land Tk. 12,000; and income from sale of sugarcane Tk. 38,000. She doesn't maintain the books of accounts properly. The following expenses were claimed by her as admissible expenses for the year: production cost Tk. 100,000; ordinary processing cost Tk. 4,000; crop insurance Tk. 24,000; land development tax Tk. 5,000; and purchase of a tractor Tk. 30,000. Income from Fisheries Project Tk. 30,00,000.
- □ Profit from sole proprietorship business Tk. 120,000 (loss carry forwarded from last year of this business Tk. 10,000); and loss on speculative business Tk. 20,000.
 □ Share of profit of an unregistered partnership firm (no tax has been paid by the firm) is Tk. 25,000
- ☐ Capital gain is Tk. 20,000
- □ Dividend from a public limited company Tk. 9,000; dividend from mutual fund Tk. 21,600; and interest on Savings Bank Account Tk. 2,700

Investment claimed by Ms. Veronica for the year includes: payment of her own life insurance premium Tk. 12,000 (policy value Tk. 100,000); payment of her husband's life insurance premium Tk. 8,000 (policy value Tk. 100,000); purchase of shares of a listed company (IPO) Tk. 5,000; purchase of books and magazines Tk. 1,000; purchase of land Tk. 100,000; contribution to NTV relief fund Tk. 3,000; contribution to one of his poor relative as zakat Tk. 2,500; purchase of motor cycle Tk. 150,000; contribution of zakat to Peace TV Tk. 50,000; purchase of less tax government security Tk. 20,000. During the year she spent Tk. 200,000 to purchase a land, Tk. 100,000 to purchase a motorcycle and the sources of expenditure remained unexplained to the DCT.

PC17.24: Mr. Hossain Ahmed is an assistant professor at a private university. Details of his income sources for the current income year are given below to calculate his tax liability.

His pay scale is 35 000 2 500
His pay scale is $35,000 - 3,500 \times 4 - 49,000$. In the last month of the income year, he received basic salary (BS) of 38,500 and the
he received basic salary (BS) of 38,500 and the annual salary increment date is 1
(15) of 56,500 and the annual salary increment date is 1s

November Heal	individuals
November. He also received dearness allo October & in January) equivalent to two mor per month; entertainment allowance Tk. 1	wance 10% of BS; two bonuses (in
per month, entertainment all	and bo, illedical allowance Tk 2 000
2,000). He has been provided The 2 age	month (actual expense Tk
3370 Of his basic salary as house	month as conveyance allowance and
allowance of Tk. 10,000 as a rower lo	nowance. He has been given travel
spent Tk. 8,000. He has also received The	s good performance, out of which he
his knee joint operation. He contributed too	ood as medical bill reimbursement for
Fund (RPF). He has received one month arretaxed earlier.	of his BS to a Recognized Provident
taxed earlier.	salary of Tk. 35,000 which was not
He owns two houses, in Dhanmondi and in A	4

- He owns two houses, in Dhanmondi and in Motijheel (municipal value Tk. 300,000 and Tk. 500,000 respectively). He uses his Dhanmondi house as his residence and Motijheel house is let out to a bank for Tk. 50,000 per month. He received Tk. 400,000 as advance from the tenant. During the year he spent following expenses: For Motijheel house: Repair Tk. 90,000; insurance Tk. 15,000; legal expense Tk. 1,000; and land development tax Tk. 1,500. For Dhanmondi house: Repair Tk. 70,000; insurance expense Tk. 20,000; and land development tax Tk. 1,500.
- □ Sale of crops Tk. 50,000; income from borga Tk. 2,000; lease of agricultural lands Tk. 15,000; sale of tea Tk. 10,000; sale of rubber Tk. 15,000. He has sold a tractor at a price of Tk. 42,000 (cost Tk. 40,000, accumulated depreciation Tk. 4,000).
- ☐ Share of profit from a partnership firm Tk. 50,000 ☐ Income of spouse or minor child Tk. 30,000
- □ Profit from garments business Tk. 40,000, Profit from Tobacco manufacturing business, and loss from paper business Tk. 20,000.
- ☐ Capital gain from sale of shares Tk. 50,000.
- □ Income from royalty Tk. 10,000; dividend from ICB Mutual Fund Tk. 31,500; dividend from a public limited company Tk. 54,000; profit from Islami Bank Tk. 18,000. He has participated in Microsoft Quiz Competition in America and own 1st prize of Tk. \$1,000. He has brought the money to Bangladesh through banking channel and received Tk. 120,000 after deduction of bank charges.

Additional Information:

- Investment claimed by Mr. Ahmed: Payment of life insurance premium Tk. 12,000 (policy value Tk. 160,000); purchase of a listed company's secondary share Tk. 100,000; purchase of books and magazines Tk. 1,000; share purchase of a cooperative society Tk. 20,000; donation to President's Relief Fund Tk. 30,000; donation to Government Zakat Fund Tk. 20,000; purchase of a desktop computer Tk. 55,000, contribution to DPS Tk. 6,000 per month; purchase of treasury bond Tk. 100,000; purchase of gold Tk. 30,000 and purchase of furniture Tk. 15,000.
- ☐ Net Wealth: At the end of the year his net wealth is amounted to Tk. 5.5 crore.
 ☐ Advance tax: He has paid Tk. 50,000 as advance tax for a 1,950 cc Toyota car.
- ☐ Refund claim: He has claimed Tk. 10,000 tax refund as adjustment of previous assessment year. He has the necessary documents.

PC17.25: Ms. Rokea Afjal works as the Managing Director of a private limited company. Her sources of income for the current income year are given below to calculate tax liability:

- Basic salary (BS) follows the pay scale of 50,000 − 5,000 × 4 − 70,000. In the last month of the income year, she received BS of Tk. 55,000 and the annual increment date is on 21st November. She received two bonuses equivalent to two months BS (one in October & another in January); medical allowance Tk. 10,000 per month (actual expense Tk. 150,000). She has been provided with a 1500 cc full-time car and fully furnished apartment as rent-free accommodation (annual rental value Tk. 240,000). She and her employer both contribute 10% of her BS to a Recognized Provident Fund (RPF She has received leave encashment of Tk. 10,917 during the year. Moreover, she is also provided with free lunch at office. Tax deducted at source for the year from salary was Tk. 60,000.
- □ She owns a house in Rampura (municipal value Tk. 350,000). She has let out the house for residential purpose at a rate of Tk. 25,000 per month. She received Tk. 50,000 as advance from the tenant. During the year she spent for loan installment Tk. 240,000 (including principal Tk. 170,000), Tk. 100,000 for repair and maintenance, and Tk. 10,000 for city corporation tax.
- ☐ Lease of agricultural lands in village Tk. 200,000.
- ☐ Profit from readymade garments business Tk. 30,000.
- ☐ She purchased a 5 katha plot in Bashundhara at a cost of Tk. 1,500,000 during 1993. She has sosoldlot at Tk. 10,000,000 in May of current income year.
- □ Interest on debentures Tk. 25,000. Bank has deducted 10% of interest collected as bank charge. Interest on post office savings bank Tk. 45,000; royalty Tk. 10,000; Income from column writing in a newspaper Tk. 4,800.
- She performed a consultancy for World Bank for 10 days in USA and received an honorarium of \$5,000. She has remitted the amount to Bangladesh through Western Union. Tk. 600,000 was credited to her account by bank in this regard.
- □ Investment claimed by Ms. Rokea includes: purchase of laptop Tk. 110,000, jewelery Tk. 30,000, shares through IPO Tk. 125,000; donation to National Heart Foundation Tk. 15,000; donation to Prime Minister's Relief Fund Tk. 10,000; purchase of Family Savings Certificate Tk. 10 lac; purchase of books and magazines Tk. 1,000; purchase share of a partnership firm Tk. 20,000; contribution to Ahsania Mission Cancer Hospital Tk. 10,000; distribution of zakat money to street people Tk. 20,000; donation to local mosque Tk. 10,000; purchase of Walton Primo X2 android smartphone Tk. 25,000 & purchase of an apartment Tk. 70 lac. During the year her net wealth is amounted to Tk. 9 crore.

PC17.26: Mr. Ahmed works as a Deputy Secretary under the Ministry of Finance. His sources of income for the current income year are given below. Compute his tax liability for the year. Will there be any difference in total income if he is not a government employee?

- □ Salary Income: Basic salary (BS) Tk. 30,000 per month; a quarter for residence at a concessional rent @ Tk. 5,000 per month although the annual rental value of the quarter is Tk. 250,000; two bonuses equivalent to two months BS; medical allowance Tk. 2,000 per month; a car that can be used for official purpose. He contributes 10% of his BS to a statutory provident fund. Securities Income: Interest on debentures Tk. 28,500 (bank charge Tk. 500). Properties Income: He owns a flat in Mirpur with a municipal value of Tk. 200,000 annually. He has let out the flat @ Tk. 20,000 per month for residential purpose. For the year, repair and maintenance cost was Tk. 70,000 and city corporation tax Tk. 2,000. During the year the flat was vacant for one month with proof. Agricultural income: Sale of paddy Tk. 50,000; sale of sugarcane Tk. 10,000; income from borga Tk. 20,000; lease of agricultural lands Tk. 15,000. Other Income: Dividend from a public limited company Tk. 7,200 and interest on post office bank deposit Tk. 27,000.
- ☐ Investment claimed by Mr. Ahmed includes payment of life insurance premium Tk. 12,000 (policy value Tk. 100,000); purchase of a listed company's share Tk. 30,000; DPS Tk. 4,000 per month, donation to Government Zakat Fund Tk. 2,500.

ANSWERS

MUL	TIPI	LE CI	ноіс	E QU	JEST	IONS	S					TRU	JE/FA	ALSE
1	2	3	4	5	6	7	8	9	10	1	2	3	4	5
С	b	С	С	d	b	d	а	d	a	F	F	Т	F	F

SELF - REVIEW 17 1

SEEL REVIEW 17.1	
(a) Purchase of income tax book	: will not be considered
(b) Share purchase from IPO	: will be considered
(c) Contribution to old age fund	: will be considered
(d) Purchase of land	: will not be considered

SELF - REVIEW 17.2

(a)	$(7,600 \div 95 \times 100)$	= Tk.	8,000
(b)	(9,500 ÷ 90 × 100)	= Tk.	10,000

18

Assessment of Firms

"Today, it takes more brains and effort to make out the income-tax form than it does to make the income."

— Alfred F. Neuman

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

CLO 18.1 understand the concept of partnership and partner

CLO 18.2 recognize the special provisions in assessing a firm

CLO 18.3 complete the procedure in assessing a firm

CLO 18.4 perform the task of assessing partners of a firm

CLO 18.5 apply set off & carry forward provisions for firm losses

CLO 18.6 evaluate provisions for special cases

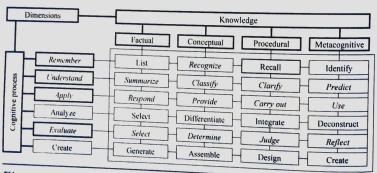
CLO 18.7 assess share of spouse or minor child in a firm

KEY TERMS

Partnership, Partner, Firm, Set off & carry forward of losses. spouse or minor child, Constitution, succession, unrecoverable tax, Discontinuation

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and the four levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



18.1 INTRO

CLO 18.1

INTRODUCTION

assessed as individuals.

A partnership business is a type of business which is guided by the provisions of Partnership Act, 1932 and partnership deed as agreed upon among the partners. Income Tac Act 2023 defines partners, partnership, and firm with reference to Partnership Act, 1932. Partner means any partner as defined in the Partnership Act, 1932 (Act No. IX of 1932) and any minor will also be included who becomes a partner by receiving share of profit [U/s 2(7)]. A partnership means any partnership as defined in the Partnership Act, 1932 (Act No. IX of 1932)" [U/s 2(8)]. And a firm means any firm as defined in the Partnership Act, 1932 (Act No. IX of 1932)" [U/s 2(58)]. Thus, Income Tax Act 2023 refers the provisions of Partnership Act, 1932 while defining key terminologies related to partnership firm.

18.2

CLO 18.1

PARTNERSHIP AND PARTNER

Partnership is the relationship among partners who run the business collectively to make and share profits. Thus, in business sense, 'partnership' and 'partners' are totally separable where partnership constitutes the business entity (artificial entity) and partners constitute the ownership (physical entity). A clear distinction is needed between partnership and partners whenever the question of assessment of a partnership firm comes because both partnership and partners are assessed for tax purposes separately. Partnership is assessed as a business_entity and partners are

A partnership firm is not a legal entity like a corporation under the general law. But for the purpose of Income Tax a firm has an assessable entity. Thus, in ITA, a firm has dual distinctive consideration. At one side, the income of partnership firm is calculated as it has been calculated in case of companies. Because partnership firms do nothing but business and that is why it has income under the head 'income from business'. On the other side, a firm is taxed at a rate applicable to an individual, as the status of a firm is not similar to that of a company.

18.3

18.2

SPECIAL ASSESSMENT PROVISIONS

A firm as an assessee can go for either assessment by deputy commissioner of taxes based on return (U/s 183), best judgment assessment (U/s - 184), or taxation of firms and association of persons (U/s - 187) as the case may be, for assessing its total income. Tax payable by the firm shall be determined based on total income of the firm as assessed.

Whenever any determination is made in accordance with this section, the Deputy Commissioner of Taxes shall, by an order in writing, notify to the firm,

- ☐ The amount of tax payable by it, if any;
- ☐ The amount of the total income on which the determination has been based; and
- ☐ The apportionment of the amount of income between the several partners.

2007

CLO

18.3

18.4

PROCEDURE OF ASSESSMENT OF FIRM AND PARTNERS

Assessment of firm means computation of tax liability of a firm in any income year on the basis of total taxable income of the firm. Thus, we have to compute the taxable total income of the firm first, on which tax will be levied at specified rate Computation of total taxable income of a firm will require some additional considerations. We have to adjust the accounting profit to compute tax profit as conventional accounting principles and tax accounting principles differ substantially To do this, we may go for the following procedures:

- ☐ At first, we have to start with the accounting profit as computed through partnership Profit and Loss Account.
- ☐ Then the profit so found should be adjusted in line with Sec. 45-48 (income). Sec. 49-54 (deductions) and Sec. 55 (deductions inadmissible) of ITA, 2023.
- ☐ The profit so computed will be distributed among the partners as per their respective profit and loss sharing ratio.
- ☐ The profit as calculated is taxable provided that the total income exceeds the exemption limit, i.e., Tk. 350,000.
- ☐ The rates for individuals will also be applicable for a firm as follows:

On first Tk.		On ne	xt Tk.		On remaining
350,000	100,000	400,000	500,000	500,000	income
@ 0%	@ 5%	@ 10%	.@ 15%	@ 20%	@ 25%

However, every firm having gross receipts of more than Tk. 50 lac will be liable to pay minimum tax of an assessment year at the following rates (U/S 163(5)):

	Tax rate on the gross receipts	 	
•	Manufacturer of cigarette, bidi, chewing tobacco, smokeless tobacco or any other tobacco products	_	3.00%
•	Carbonated beverage		5.00%
•	Mobile phone operator		2.00%
	Individual other than individual engaged in mobile phone		2.0070
	operation or in the manufacturing of cigarette, bidi, chewing tobacco, smokeless tobacco or any other tobacco products, having gross receipts taka 3 crore or more Any other cases		0.25%
		 -	0.60%
	Industrial undertaking engaged in manufacturing of goods for the first three income years since commencement of its commercial production.		0.10%

 $\hfill \Box$. However, if the firm is subject to tax deducted at sources U/S 163(2), minimum tax should be the higher one between tax computed U/S 163(2) and U/S 163(5).

Chapter - 18 Assessment of Firms

- Like individuals, the firm may claim tax rebate lower of 3% of total income or 15% of allowable investment (if any) or Tk 10 lakhs like individual @ 15% on allowable investments.
- Partners' taxable income will be a total of salary, interest, commission etc. from the firm and share of profit or loss as computed in step 3. The total income will be taxed at the individual tax rates. Income from firm is to be considered as tax free income because tax on this part is already paid by the firm, and partners will get rebate at average rate on their partnership income from tax so computed. They may also claim rebate for qualifying amount of investment allowance, if any, in normal way.

Note: Firms may not be required to pay tax due to income less than Taka 350,000 or carry forward and set off of previous year's losses. In such a situation, partners will pay tax in a normal way but cannot claim any rebate on profit received from firm, as firm has not paid taxes on such profit.

18.5

18.5

SET OFF AND CARRY FORWARD OF FIRM'S LOSSES

- ☐ If income from business results loss, it should be set off in the same year against income from other businesses, if any (U/s 70(2)).
- ☐ If there is any loss from any speculative business, it should be set off in the same. year against income from other speculative businesses, if any (U/s 70(2)).
- ☐ Set-off and carry forward is not allowable for losses under any head or sources which receives tax exemption, tax payable at reduced rate or minimum tax benefit (U/s 70(3)).
- ☐ Any loss of a firm or association of persons should be adjusted against the income of such firm or association of persons only and such loss cannot be adjusted against the income of any partner of firm or member of the association (U/s 70(4)).
- ☐ Any loss from business can be carried forward for setting off against such income, if any, for 6 consecutive years (U/s 70(5)).
- ☐ Subject to the provisions of Eighth Schedule, if any person is replaced in business or profession other than inheritance, the successor cannot set-off or carryforward any loss of the predecessor against his personal income (U/s 70(6)).

18.6 CLO

SPOUSE OR MINOR CHILD IN A FIRM

If the spouse or minor child holds shares in a partnership firm where the assessee is also a partner, then the income of the spouse or minor child will be assessed along with the assessee. But if they are partners of different firms, they should be assessed separately. Even when husband and wife become partners in a professional firm like accounting, law or medicine, they should be assessed separately.

In such a situation where both husband and wife are assessed separately, it may be a problem if they have a minor child who is also a partner. The tax law is salent

regarding this issue and so the income of a minor child may be assessed with the regarding this issue and so the linear the state of the husband or the wife. But it would be better if the income of a minor income of the husband or the wife. child is assessed with the income of either husband or wife whose taxable income is less to be in line with the cannons of equity and transparency. In computing the total taxable income of any partner in such situations, followings will be included:

- ☐ Income of the spouse or minor child arising directly or indirectly from: • Membership of the spouse in a firm where the assessee is a partner;
 - Admission of the minor child to the benefits of partnership in a firm where
 - the assessee is a partner;
 - · Assets transferred directly/indirectly by an assessee to the spouse other than as gift or for adequate consideration or in connection with an agreement to live apart; Or
 - · Assets transferred directly or indirectly by an assessee to a minor child, not being a married daughter, other than by way of gift or for adequate consideration; and
- ☐ Income of any person or association of persons arising from assets transferred by an assessee to the spouse or minor child or both for the benefit of the spouse or minor child or both other than by way of gift or for adequate consideration.

18.7

CLO

18.6

PARTNERS' SHARE IN THE FIRM'S PROFIT OR LOSS

To compute partners' share in the firm's profit or loss, we need to adjust any interest salary, commission or any other payment made to partners in any other mode. Then the balance will be distributed among the partners as per the respective profit and loss sharing ratio. So, the share of a partner in a firm will include any salary, interest, commission or other remuneration payable to him by the firm in the income year, plus his share in the balance of the profit or loss of the firm. If a person is a partner in a firm or a member of an AOP, his share of income of the said firm/AOP shall be determined by the following formula [Sec. 31(2)], namely -

$$A = B + (C - D) \times E\%$$
, where –

A: part of the person's income from the firm or AOP, B: salary, interest, commission, or other remuneration received by the said person from the said firm or AOP, C: total income of the said firm or AOP, D: the sum of salary, interest, commission, or other remuneration payable by the said firm or AOP to all partners or members, E: the percentage of shares of the person in the said firm or AOP.

If the partners have their individual income with the shared income from the firm, such shared income should be added with other individual income to compute the partners' total taxable income. If the firm has already been taxed, partners will not pay tax on such shared income (U/s-80). But this addition of shared income with other income may enhance the rate of tax for such other income or may bring the partners within the ambit of taxation where such partners' individual income was below the taxable limit.



The tax rate for a firm and an individual is same. Do you agree or not?

CLO

18.6

UNRECOVERABLE TAX DUE FROM PARTNERS

According to section 255 of the Income Tax Act 2023, where any tax payable by partner of a firm in respect of his share of the income from the firm cannot be recovered from him, the DCT shall notify such amount of the tax to the firm. Upon notification, the firm so notified shall be liable to pay the said tax and, for the purposes of recovery thereof, shall be deemed to be an assessee in respect of such tax.

CLO

18.4

18.6

ASSESSMENT OF FIRMS IN SPECIAL CASES

The assessment of a firm in special cases, like changes in constitution, succession, dissolution etc., have more issues to consider. There may be a change in the firm composition (how many members a firm have) through admission or retirement of partner(s). Likewise, a firm may be reconstituted under different circumstances.

Changes in Constitution

Assessment in case of change in the constitution of a firm (U/s 188): There is a change in the constitution of a firm under this section.

- ☐ Where all the existing partners or some of them continue with a change in their respective profit and loss sharing ratios; or
- ☐ Where one or more persons who were partners, continue to be so with a change by cessation of any partners or addition of one or more new partners.

If at the time of assessment, it is found that a change has occurred in the constitution of the firm as defined above, the assessment of the firm shall be made in normal way as if there is no change in the constitution of the firm. The words "at the time of assessment" mean in the course of the process of assessment and do not refer merely to the act of making an assessment order - Maharajadhiraj of Darbhanga Vs. C.I.T. 1934 I.T.R. 345 (P.C.). Thus, where a notice calling for a return has been issued to any person, the process of assessment has begun and continues until an order of assessment is made. And if a change in the partnership composition occurs at any time before the assessment is made this section would apply. But this section would have no application to a case where the change occurs after the assessment of the firm is completed - In re Chimanlal Lalbhai 1944 I.T.R. 199. The taxable income of the firm will not be affected due to such changes rather the section is used to find out the partners upon whom the tax liability should be imposed - Indian Iron & Steel Co. Ltd. Vs. C.I.T. 1943 I.T.R. 328, 337 (P.C.). The partners will share income as per the changes in the constitution and if the tax assessed on a partner cannot be recovered from him, it shall be recovered from the firm as constituted at the time of assessment.

Succession

The simplest case of succession is the transfer by one trader to another of the business along with the goodwill, i.e., the right to that benefit which arises from connection and reputation [Thomson & Balfour Vs. Le Page 8 T.C. 541.548]. Succession may be by transfer inter vivos, or by inheritance or devolution on the death of the owner [Dubash's Executors Vs. C.I.T. [1951] 19 I.T.R. 182 (S.C. of India), or by acquisition where the whole property and undertaking of the trader vests in the Government Bramford's Road Transport Ltd. Vs. Exans 35 T.C. 145]. Thus, where there is a change of ownership it is a case of succession and not discontinuance – I.T. Appellate Tribunal Vs. Bachraj Nathani 1946 I.T.R. 191, 203.

Requisites of Succession

The requisites of succession are as follows:

- ☐ There should be a change of ownership:
- The integrity of the business should remain same;
- The identity and continuity of the business should be substantially preserved.

Change in ownership: For being a succession taken place, there should be a valid transfer of ownership. In a case where there is no transfer of ownership, e.g. where a receiver is appointed, there is no succession (I.R. Vs, Thompson 20 T.C. 422). If there is only an agreement to transfer, it would not be regarded as involving a succession.

EXHIBIT

18.1

Assessment in Special Cases Changes in Constitution Succession Discontinuation Under Sections 189, 190 No Change in With Change in When the Firm is When the Firm is Composition Composition discontinued to discontinued for form a new Firm Specific Reasons or Company **Under Section 191** Increasing no of Decreasing no of Charge in Different section(s) of Contract Partners Partners Admission Retirement Death Under Partner (s) losing the qualities Section 188 to remain a partner legally



If a firm pays Tk. 10,000 to a partner as rent for using his house property, which one will be true? - (a) Rent will not be an allowable expense (b) Rent will be an allowable expense with no other effect (c) Rent will be an allowable expense for the firm but for the partner, it will be an income from house property.

Integrity of business: Succession necessarily implies devolution of the business as a whole. There can be no succession unless the business retains its integrity despite the change of ownership. Where a business is split up and another person carried on part of the business, he doesn't succeed his predecessor in carrying on the business. If there is substantial identity and similarity in the nature and extent of the activities carried on between the two firms, and if the major portion of the liabilities and assets have been taken over by the new firm from the old partnership, there is a succession (Kaniram Ganpatrai Vs. C.I.T. [1953] 23 I.T.R. 314.322).

Identity and continuity of the business: Succession occurs only where the same business is carried on by a different person. There is no succession where a business terminates and a different though similar business is carried on by another person or by a newly constituted firm (Industrial Development & Investments Co. Ltd. Vs. C.E.P.T. [1957] 31 I.T.R. 688). Where there is no continuity in carrying on the business and when one business has come to an end and after a time another business is started, it may be with the same assets & under the same conditions & in the same premises as the old business, the persons carrying on the new business do not succeed those who had carried on the old business.

EXHIBIT

18.2

Cases Reference

Ghella Dayal Vs. C.I.T. 1945 I.T.R. 133.138.

A firm of 3 partners carrying on business in piece of goods was started in 1932. On Oct 30, 1939, one of the partners died. On Nov 12, 1939, a new firm was formed by the two surviving partners with three more new partners and the shares of the five partners were reshuffled. The new firm carried on the same business in the same premise under the old trade name with separate set of account books and the management of the business before and after the change remains identical. There were several outstanding contracts of the old firm. The assets and liabilities of the old firm were taken over by the new firm after some months. During the relevant accounting year, the net profit of the old firm was Rs. 56,000 and that of the new firm was Rs. 10.500. In assessing the new firm, the I.T.O. held that both the profits were the profits of new firm in as much as the business of the old firm was continued by the new firm and there was no more than the change in the constitution of the firm. The Appellate Tribunal agreed with the decision of the I.T.O. and the new firm was rightly assessed to income tax and the partners were liable in respect of the share to which they were individually entitled. If the tax assessed upon any partner cannot be recovered from him, it must be recovered from the firm as constituted at the time of makina the assessment.



For a succession in operation, which of the following conditions should be fulfilled? (a) Transfer of ownership (b) Similar line of business (c) Both.

Constitution of New Successor Firm (Section 189)

Sometimes one firm (predecessor) terminates and another new firm (successor) forms, where also a change in constitution is required. Where, at the time of assessment of a firm, it is found that a new firm has been constituted to succeed the firm to which the assessment relates the predecessor firm and the successor firm should be assessed separately in accordance with the provisions of section 88 that relates to assessment in case of succession.

Succession to Business Otherwise than on Death (Section 190)

In a specific income year, if a person has been succeeded therein otherwise than on death by another person and if he continues to carry on that business or profession, then the total income year will be apportioned between the predecessor and successor as follows:

	The predecessor shall be assessed, in respect of the income of that income year i
	which the succession took place, for the period up to the date of succession, and
П	The successor shall be assessed in respect of the income of the income year for

The successor shall be assessed, in respect of the income of the income year, for	r
the period after the date of succession.	

If the predecessor is not found, the assessment up to the date of succession and of the income year or years preceding that year shall be made on the successor in the like manner and to the same extent as it would have been made on the predecessor. Even if the predecessor is found but the sum cannot be recovered from him, the DCT shall record a finding to that effect, and thereafter the sum payable by the predecessor shall be payable by, and recoverable from, the successor who shall be entitled to recover it from the predecessor.

However, the successor cannot claim to carry forward and set off the losses incurred by his predecessor. Nor can the predecessor carry forward, because such carry forward right is conditional upon the continuance of business in which the loss was incurred. *Indian Iron Steel Co. Ltd. Vs. 1.T.R. 328, 337.*

Discontinuation

The words 'discontinued' and 'discontinuance' do not cover mere change of ownership or a change in the constitution of the firm, but refer to a complete cessation of business (Meyyappa Chettiar Vs. C.I.T. 1943 I.T.R. 243). Even if a company passes a resolution that it will undertake no further business, the Department may hold that the resolution is colourable & the company has not discontinued its business (Gladstone Development Co. Ltd. Vs. Strick 30 T.C. 131)

Assessment in case of discontinuation of a Firm (Section 191)

Where any firm is discontinued in any financial year, assessment may be made in that year on the basis of the total income of the period between the end of the income year and the date of such discontinuance in addition to the regular assessment, if any, made on the basis of the income year [U/s 191(1.2)]. The DCT should be notified regarding such discontinuance within fifteen days thereof; and such notice shall be accompanied by a return of total income in respect of the period between the end of the income year and the date of such discontinuance and that financial year will be the assessment year in respect of the income of the said period [U/s 191(3)].

Where a person fails to give the notice of such discontinuance the DCT may direct that a sum shall be recovered from him by way of penalty not exceeding the amount of tax subsequently assessed on him in respect of any income from the business or profession up to the date of its discontinuance [U/s 191(4)]. The DCT may serve a notice for maximum 7 days to the partner(s) (who were the partner at the time of discontinuation) to furnish a return of total income along with such other particulars, records and documents as may be specified in the notice [U/s – 191(5)]. The notice as served here for assessment of a discontinued firm under section 191(5) will be treated as a notice served under section 172 - Notice for filing return [U/s – 191(6)].

EXHIBIT

18.3

Specimen Form of Computing Taxable Income

Computation of Firms Income

Assessee	;		
Assessment Year	: 2024 - 2025		
Income Year	: 2023 - 2024		
Net Income/Loss as pe	r Profit and Loss Account	***	Tk. XX
Add: Distribution to the	e owners in terms of interest, salary, commission etc.		XX
Add: Other non-admi	ssible expenses already debited into the P/L Acc, e.g.,		
drawings, inter	est on drawings, capitalized expenditure etc.		XX
Add: Other non-admis	sible expenses as per section 30 and expenses that has		
maximum slab	s, e.g., entertainment expense, perquisites, free sample etc.		XX
Add: Expenses charged	at a different rate (depreciation expense)		XX
	ses as per the rates mentioned in ITO		(XX)
	er sources already credited in P/L Acc		(XX)
	ness or profession but not credited in P/L acc		XX
	maximum slabs as per different Rules		(XX)
Less: 50% income of ex	port business		(XX)
Less: loss carried forwa	ard from previous year		(XXX)
Taxable Income of the	Firm from Business or Profession		XX
.,	,		

Add: Non-Business income of the Firm, say	Χχ
a) Interest on Securities	Xχ
b) Income from House Property	Χχ
c) Capital gains	XX
d) Income from Other Sources Total Taxable income of the Firm	Tk. XX
Total Taxable income of the Come	

Allocation of Firms Income [assuming 2 partners, A & B]	A	B	Total Tak
Income of Partners received from the firm:	XX	XX	XX
 Salary 	XX	XX	XX
Interest on Capital	XX	XX	XX
 Interest on Loan 	XX	XX	XX
Commission	XX	XX	XX
Other receipts as per the constitution	(XX)	(XX)	(XX)
Interest on Drawings (expense for the partner)	XX	XX	XX
 Share of Profit or 	(XX)	(XX)	(XX)
Share of Loss	XX	XX	XX
Total Income of Partners from the firm	λŭ	Ç.	aa

Computation of Taxable Income of Partners [assuming 2 partners, A & B]

			D
I Some the firm		XX	XX
Income from the firm Income from other different heads (U/s - 20)	: .	XX	XX
Total Taxable Income of Partners		XX	XX
Total Tuxuble Income of Landisco	,		

SOLVED PRACTICAL CASES (SPC)



TAXABLE INCOME OF FIRMS AND PARTNERS

Mr. X. Mr. Y and Mr. Z are the three equal partners of XYZ & Associates. The firm is engaged with manufacturing of toys. The profit and loss account for the year ended on June 30, 2024, was given below (gross receipts for the year was Tk. 10,00,000):

XYZ & Associates Profit and Loss Account, For the year ended on June 30, 2024

	Tk.		Tk.
Rent	36,000	Gross Profit	600,000
Utilities	22,000		
Commissions	54,000		
Advertisements	12,000		
Interest on Capital:			
X - 8,000; Y - 7,000; Z - 5,000	20,000		
Salaries: $X - 26,000$; $Y - 24,000$	50,000		
Net Profit	406,000		
	600,000		600,000

Other Information. Rent includes Tk. 12,000 paid to Mr. X who partially owns the business premises; Tk. 15,000 of commission is given to Mr. Z for his special assignment; and partners have income from different sources as follows:

	Mr. X	Mr. Y	Mr. Z
Income from Rent	60,000	-	40,000
Income from Financial Assets	50,000	80,000	-
Agricultural Income	-	-	50,000
Income from other sources	25,000	25,000	25,000

Required:

- ☐ Compute the taxable income of the firm,
- ☐ Compute the amount of tax liability of the firm,
- Show the amount of distribution to the partners,Compute the amount of taxable income of the partners and
- ☐ Compute the amount of net tax liability of the partners.

Assessee: XYZ Associates	Assessment Year: 2024	- 2025	Income Yea	ar: 2023 – 2024
Taxable income of the firm	X	Y	Z	Total
Net Profit as per Profit and Los	ss A/C			Tk. 406,000
Met i tom F				

 Add: Distribution to the owners
 Tk. 8,000
 Tk. 7,000
 Tk. 5,000
 20,000

 Interest on Capital
 Tk. 8,000
 Tk. 7,000
 Tk. 5,000
 50,000

 Salaries
 26,000
 24,000
 15,000

 Commission
 15,000

 491,000

Tax liability of the firm

Total Taxable Income of the Firm

	On first Tk. 350,000	On next Tk. 100,000	On next Tk. 41,000	Total Tk. 491,000
Rate	@ 0%	@ 5%	@ 10%	
Tax	-	5,000	4,100	9,100

As the gross receipt of the firm is below Tk. 50,00,000; minimum tax provision will not be applicable here. Thus, the tax liability of the firm will be Tk. 9,100.

Distribution to the Partners

	Partners		Total	Amount left for	
	Mr. X	Mr. Y	Mr. Z	Total	Distribution
Amounts to be distributed					491,000
Interest on Capital	8,000	7,000	5,000	20,000	471,000
Salaries	26,000	24,000	-	50,000	421,000
Commission		-	15,000	15,000	406,000
Profit (1:1:1 ratio)	135,333	135,333	135,334	406,000	
Total amount allocated	169,333	166,333	155,334	491,000	

Bangladesh Income Tax - Theory and Practice

Taxable income of the Partners	Mr. X	Mr. Y	Mr. Z
	50,000	80,000	
 Income from Financial Assets Income from Rent (less cost of repairs and maintenance @ 25%) 	45,000	-	30,000
3. Agricultural Income (less cost of cultivation @ 60%)	-	-	20,000
C Fi	169,333	166,333	155,334
Income from Firm Income from Other Sources	25,000	25,000	25,000
Total Taxable Income	289,333	271,333	230,334

Net tax liability of the partners

Partners are not required to pay any tax as their income does not exceed tax exemption limit.



INCOME FROM DIFFERENT SOURCES, MINIMUM TAX

A, B & C are partners sharing profits and losses in a ratio of 2:2:1. The particulars of income for the year ended 30^{th} June 2024 are as under:

- ☐ House Properties: The firm owns a building consisting of three floors of identical specification, two of which are used for the firm's business and one is let out at a rent of Tk. 10,000 per month. The firm has earned Tk. 30,000 by putting up a display of an advertisement hoarding of a multinational company on the roof of the building during the year.
- ☐ Business in Cotton Textiles: The trading accounting for the year was as under:

Debit			Credit
Opening Stock	Tk. 500,000	Sales	Tk. 5,400,000
Purchases	4,500,000	Closing Stock	600,000
Gross Profit	1,000,000	· ·	230,000
	6,000,000		6,000,000

The closing stock has been uniformly valued at 12.50% under cost. Depreciation and other expenses debited to profit and loss account amount to Tk. 400,000 which included among other things, following items: (1) Repairs to Building: Let -out portion Tk. 8,000 and Portion used for business Tk. 12,000. (2) Municipal Taxes Tk. 23,000 (Total municipal taxes for the year were Tk. 27,000 of which the tenant paid Tk. 4,000.) (3) Annual contribution to Cotton Dealers Association, a trade association Tk. 2,000. (4) Contribution to Prime Minister's Relief Fund Tk. 5,000. (5) Salaries to the partners: A - Tk. 24,000; B - Tk. 48,000 and C - Tk. 72,000. (6) Interest paid on a loan of Tk. 500,000 taken for installing computer accounting system in the firm's premises (The computer and peripherals were duly installed during the period) Tk. 75,000. (7) It was claimed that Tk. 10,000 credited in the profit and loss account should be deducted as representing receipt of capital nature. It was stated that the amount has been received from a textile mill as damages for failure to deliver goods as per contract. (8) Loss on speculative transactions Tk. 150,000. A had no other sources of income but B and C were also partners in another firm with D as the third partner. The shares of B, C & D for the year ended 30^{th} June 2024 were as under:

Partners	Salary	Interest	Profit/ (Loss)	Total
В	-	-	(50,000)	(50,000)
С	-	-	(50,000)	(50,000)
D	60,000	20,000	(50.000)	30,000

B has also income from a house property at London amounting to Tk. 600,000 (after deduction of 25% tax at source). C has other personal income of Tk. 50,000.

Required: (a) Compute tax to be paid by the firm in which A, B and C are partners and total taxable income in the hands of those partners from all sources. (b) State the principles governing the basis of taxability of total income of A, B & C.

[ICAB Adapted]

Solution Requirement – (a): Computation of total taxable income of the firm.

	Taka	Taka	Taka
1) Income from rent (U/s - 36):			
Annual Value: Actual rent (12 months @ Tk. 10,000)	120,000		
ADD: municipal tax paid by the tenants	4,000		
	124,000		
And: Corporation valuation	nil		
Whichever is higher		124,000	
Less: repairs and maintenance (25% of annual value,			
assuming that proper books have not been maintained)			
Less: municipal tax for let-out portion (1/3 ÷ 27,000)	31,000		
	9,000	40,000	
			84,00
2) Income from Business (U/s - 45):			
Gross Profit as per Trading Account		1,000,000	
ADD: Understatement of Closing Stock		14,285	
$(Tk 100,000 \div 0.875 \times 0.125)$		1,014,285	
Less: Depreciation and other expenses		400,000	
		614,285	
Add: Expenses inadmissible			
Repairs - let out portion	8,000		
Municipal taxes (23,000 – 2/3 of 27,000)	5,000		
Salaries to partners	144,000		
Loss on speculative transactions	150,000	307,000	
			921,28
(3) Income from other sources (U/s - 66):			
From display of advertisement		_	30,00
Total Taxable income of the Firm			1,035,28

Computation of Rebate on Investment Allowance

Lower of 3% of total taxable income (Tk. 10,35,285) or 15% of actual allowable investment (contribution to Prime Minister's Relief Fund by Tk. 5,000) or Tk. 10,00,000,

Computation of Tax Liability of the Firm

			Tax Rate	Tk.
On First	Tk.	350,000	0%	Nil
On Next		100,000	5%	5,000
On Next		400,000	10%	40,000
On next		185,285	15%	27,793
On Total	Tk.	1,035,285		72,793
Less: Rebate on investment allowance (15% of Tk. 5,000)				
Net tax liability				750
				72,043

Minimum Tax

It is not possible to compute the minimum tax for the firm as gross receipt of the firm is unknown.

Allocation of Profit to Partners

	A	В	С	Total	Amount left
Amounts to be distributed					1,035,285
Salaries	24,000	48,000	72,000	144,000	891,285
Profit (2:2:1 ratio)	356,514	356,514	178,257	891,285	071,203
Total amount allocated	380,514	404,514	250,257	1,035,285	

Total Taxable Income in the hands of the Partners

•	A	В	C
Income from Firm (A, B & C)	380,514	404,514	250,257
Income from Firm (B, C & D) – set off	-	(50,000)	(50,000)
Income from Other Sources	-	-	50,000
Total Taxable Income	380,514	354,514	250,257

Tax Liability of Partners

Partner A: As A has no other income except income from the firm, A's tax liability will be the minimum tax of Tk. 5,000. Because A will get rebate on his share of income from firm on which tax has been given by the firm.

Partner B: B's income has been reduced by setting of loss from another firm where he is also a partner. But he cannot claim any refund here. Refund cannot be claimed on tax given by the firm.

Partner C: C will get rebate of his total tax as the firm has already given tax on the same amount. But C will have to pay tax limited to the minimum amount like another partner A.

Requirement (b)

If a partner receives income as his share of profit from a partnership firm over which firm has already given taxes, partners will receive rebate on average rate. As A has no other income, he will receive rebate to the fullest amount of tax liability that results tax liability equals to zero. But, as assessment is made in his name, he has to pay the minimum amount of tax. The case of C is same whose taxable made in the state of profit from firm. But B's situation is different in the sense that his share of profit has been reduced due to set off of share of losses from another firm where B is also a partner. of profit many refund for the amount of tax given by firm. The governing principle is that an g cannot of same income should not be taxed twice, once in the hand of the firm and again in the hand of the partners.

So, firm will pay tax on usual rate and partners will get rebate on average rate.

Notes: (1) Loss on speculative transactions can be set off against gain from such other speculative transactions, if Notes: (1) 1333 and 154 security of against gain from such other speculative transactions, if any, or can be carried forward to set off against gain from such speculative business for six consecutive years. But any, or can be charged against profit as expense. (2) Accounting depreciation and tax depreciation is assumed to be same as it cannot be changed by the control of the control no such internation of opening and closing stock, i. e., on Tk, 100,000. (4) B's income from house property arising in London has been of opening and of Article 6 (immovable property and income there from immovable property) of the nouble Taxation Avoidance Agreement between Bangladesh and U.K.

TAXABLE INCOME, SPECULATION BUSINESS LOSS, ZERO TAX LIABILITY

Meem Enterprise is a firm comprising of two equal partners named Meem and Noon. During the year ended on June 30, 2024, the partners besides their shares in the firm enjoyed income and substantial losses from the sources given below:

Meem: Profit on trading in immovable property Tk. 50,000; Income accrued in Pakistan from partnership but not remitted to Bangladesh Tk. 75,000; Share of loss from an Association of Persons (AOP) Tk. 15,000 and Gift tax paid Tk. 25,000.

Noon: Speculation loss Tk. 40,000; Profit on sale of car Tk. 50,000; Income from betting Tk. 5,000 and Income tax refund Tk. 10,000. The profit and loss account of the firm for the year ended June 30, 2024, showed the following position:

COMPANIES OF THE PROPERTY OF T		01	
Expenditure	Taka	Income	Taka
Salaries: Staff	48,000	Gross profit b/d	205,000
Meem	15,000	Share premium	10.000
Noon	12,000	F	. 5,000
Office Contingencies	4,000		
Repairs .	23,000		
Doubtful Debts	4,000		
Income tax paid for the last year	5,000		
Legal expenses	5,000		
Commission to Meem	3,000		
Premium on the policies of partners	5,000		
Depreciation	11,000		
Net Profit: Meem 40,000 Noon 40,000	80,000		
	215,000	•	215,000

Included in repairs are Tk. 10,000 on account of cost of typewriter to be depreciated a 10% p.a. as per taxation law, legal expenses are inclusive of Tk. 2,000 being the fine imposed by Custom Authorities for banned items; office contingencies include Tk 2,000 spent as commission for investment in shares and depreciation admissible excluding on Typewriter is Tk. 8.000. Calculate taxable income and taxes payable by firm & complete the income taxable in the hands of partners.

(ICAB adapted)

- La - Laboration	Assessment Year: 2024 - 2025	Income Year: 20	023 - 2024
Assessee: Meem Enterprise		Taka	Taka
Net profit as per accounts Add Depreciation (considered so	eparately)		80,000 11,000 91,000
Add Imadmissible expenses Salaries to partners (Meem Doubtful debt Income tax paid for the last Commission to Meem Premium on the policies of Repairs – cost of typewriter Legal expenses – fine import Office contingencies – comi	year partners	27,000 4,000 5,000 3,000 5,000 10,000 2,000 2,000	<u>58,000</u> 149,000
Less. Share Premium	0 - 10% on Tk. 10,000 cost of typewrite	r)	9,000 140,000 10,000
Taxable income of the firm			130,000

Allocation of Profit to Partners

n .: /	Partn	Partners		Amount left to be	
Particulars	Meem	Noon	Total	Distributed	
Amounts to be distributed		•		130,000	
Commission	3,000	-	3,000	127,000	
Salanes	15,000	12,000	27,000	100,000	
Insurance Premium	2,500	2,500	5,000	95,000	
Profit (allocated on 1:1 ratio)	47,500	47,500	95,000		
Total amount allocated	68,000	62,000	130,000		

Income Slabs	Tax Rate	Tk.
On First Tk. 130,000 (Up to 350,000) On total Tk. 130,000	0%	<u>Nil</u> Nil
		MII

Minimum Tax for the firm cannot be calculated as gross receipt of the firm is unknown.

Taxable income of Partners

e pt		Meem		Noon
Share of income from Firm	Tk.	68,000	Tk.	62,000
Foreign income – income accrued in Pakistan		75,000		
Income from other sources - profit in trading of immovable property		50,000		
Total taxable income		193,000		
Less: set off losses from Association of Persons (AOP)		(15,000)		
Taxable Income		178,000		62,000

As the partners income doesn't exceed non-assessable income limit, partners will not pay any tax. For the same reason income tax refund of Tk. 10,000 will remain unadjusted.

Notes: (1) Speculative loss can only be set off against gain from other speculative business. Noon has speculation loss of Tk. 40,000 and income from betting of TK. 5,000. After setting off Tk. 5,000 Noon still has Tk. 35,000 as loss from speculation business that will be carried forward for 6 successive years to be set off against gain from speculative business, if any. (2) Profit on sale of car is a personal income that is not taxable. It has been assumed that the car was used for personal purposes.



TAXABLE INCOME OF FIRM AND PARTNER

A, B and C are partners in a firm, XYZ, sharing profit & loss in the ratio of 2:2:1. The firm showed income of Tk. 200,000 as at 30-06-2024. Examination of the books of accounts of the firm revealed the following facts: (a) A, B, C were paid salary at Tk. 36,000, Tk. 45,000 and Tk. 48,000 respectively (b) A and C were paid interest at Tk. 40,000 and Tk. 50,000 respectively for the money borrowed from them (c) Commission on sale of goods paid to partner B Tk. 30,000 (d) Factory rent Tk. 1,50,000 paid to partner A (e) Office rent Tk. 60,000 paid to partner B (f) Penalty Tk. 55,000 paid for violation of customs law (g) Donation made to Aga Khan Foundation Tk. 50,000 (h) Advance tax paid Tk. 35,000 (i) Partners drawings were: A - Tk. 50,000; B - Tk, 45,000; C - Tk, 40,000.

Required: Compute total income of the firm and total income of each partner

(CMA Adapted)

Assessee: XYZ	Assessment Year: 2024 - 2025	Income Year	: 2023 – 2024
Net profit as per accounts			Tk. 200,000
Add: Inadmissible expenses			
Salaries to Partners A: 36	5,000; B: 45,000; C: 48,000	Tk. 129,000	
Interest on loan to Partne	rs A: 40,000; C: 50,000	90,000	
Commission to B		30,000	
Penalty for violating Cust	tom Law	55,000	
Advance Tax Paid		35,000	
Drawings of Partners A:	50,000; B: 45,000; C: 40,000	135,000	474,000
Taxable income of the firm			674,000

Total Income of Each Partner

Participan		P.anmers			Amount left to Fe	
	#	B	(Total	Dusto de de d	
Amounts to be distributed					674,50%	
Salaries	36,006	45,0000	48,000	E29,000	545.5mg	
ÎMETEK	45.596	-	50,006	90,000	455,000	
Commission	-	36,000		30,000	425,000	
Profit for 22 story	3.79,066	76,000	85,000	425,000	_	
Total amount allocated	246,000	245,000	185,000	674,000		



TAXABLE INCOME AND SIMPLE INTEREST

M & Skylark and Co is a partnership firm. Mr. Tom, Mr. Toy and Mr. Dick are three ennal shared partners of the firm. The firm filed return of income showing net profit at Tk. 1.550,600 for the assessment year 2024-2025. Examination of the books of accounts revealed the following facts: (a) Salary includes payment of Tk. 250000 to Mr. Dick, Tk. 100,000 to Mr. Tors and Tk. 80,000 to Mr. Toy (b) Rent includes payments for office rent to Mr. Toy Tk. 120,000 and godown rent to Mr. Tom Tk. 60,000 (c) Misc expenses includes payments for Brokerage Tk. 30,000 to Dick: Tk 36,000 pand to Mr. Kalu who is working as night guard at the residence of Mr. Toy: Tk. 24,000 paid as salary to Miss keya who is working as maid servant at the residence of Dick. Tk. 90,000 paid to Tom for using his mechanized boat in the shipment of goods and Tk. 65,000 paid as interest for the amount of money borrowed from Toy. (d) The factory building of M s skylark was constructed by M/s Bay and Co the firm paid Tk. 1,700,000 to M's bay & co without deduction of any taxes. (e) During the year under consideration the firm imported spices and fruits. Tk. 120,000 was deducted as AIT by the custom authority at the import stage. No income from the import business was shown in the statements of accounts filed with the return. This is the 1st year of assessment. The firm paid no advance taxes as per provisions of sec-156. From the above information compute the total income of the firm, total income of the partners, tax payable by the firm and simple interest if any payable.

Amessee: M.s Skylark and Co.	Assessment Year: 202	Income Year: 2023 - 2024		
	Dick	Tom	Toy	Total
Net profit as per accounts				Tk. 1.550,000
Add. Inadmissible expenses				
Salaries to Partners	Tk. 250,000	Tk. 100,000	Tk. 80,000	430,000
Interest on loan to Toy		-	65,000	65,000
Brokerage to Dick	30,000	-		30,000
Advance Tax Paid	_	_	_	120,000
Drawings of Partners	24,000	_	36,000	60,000
Total income of the firm			- 0,000	2,255,000

Total Income of Each Partner

Amounts to be distributed	Dick	Partners Tom	Toy	Total	Amount left
Sularies Interest Brokerage Profit (on 1:1-1 ratio) Total amount allocated	30.000 	576.667 676,667	80.000 65.000 576.667 721,667	430,000 65,000 30,000 1,730,000 2,255,000	1.730,000

Tax Payable by the Firm

Income .		Tax Rate	Tk
On First Tk.	350.000	0%a	Nii
On Next Tk.	100,000	5%	
On Next Tk.		10%	5.000
On Next Tk.		15%	40,000
On Next Tk.		20%	75,000
On Next Tk.			100.000
On Total Tk.		25%	101,250
On Foldi IA.	2,233.000		321,250

Note: Simple Interest: As per section 162, the firm has to pay interest on Tk. 3,21,250 @ of 10% for a period starting from 1.7.24 to the date of regular assessment provided that it is not more than two years.



TAXABLE INCOME, TAX LIABILITY, NON-BUSINESS INCOME, MINIMUM TAX

Rahim & Karim are two equal partners of 'R&K International' that reports income of Tk. 10 lac for the assessment year 2024-25. The income statement appears below:

	. ,	o. The meome statement appear	S DCIUW.
Debit	Tk.	Credit	Tk.
Salaries	350,000	Balance b/d	1,185,000
Commission	80,000	Interest on securities (net)	60,000
Interest	30,000	Income from house property	300,000
Traveling Expense	25,000	Income from sale of tea	280,000
Legal Expense	50,000		
Office Expenses	60,000		
Promotional Expenses	30,000		
Bad Debt	30,000		
Miscellaneous Expenses	80,000		
Depreciation Expense	90,000		
Net Profit	1,000,000		
	1,825,000		1,825,000

A scrutiny of the accounts as submitted, the DCT revealed: (a) A sum of Tk. 15,000 was shown as traveling expense of Rahim for opening a new branch at Chittagong. (b) Mr Jaman, the general manager of the firm received TK. 16,000 of monthly salary

without bank transfer or check, rather paid in cash. (c) Bad debt recovered of Tk 60,000 was not shown in the credit side of the P/L A/C. The full amount of recovered bad debt was written off as unrecoverable and allowed. (d) Tk. 10,000 was paid for registering trademark and Tk. 50,000 was paid for purchasing goodwill both of which are charged against current year's profit. (e) Accounting depreciation charged was Tk 30,000 more than the tax depreciation. (f) The written down value of a motorcar was Tk. 60,000 that was sold for Tk. 50,000 and was not recorded in the books. (g) Legal expenses include Tk. 32,000 for penalty imposed by Custom Authority and miscellaneous expense includes Tk. 18,000 as a cost of forming contract among partners. (h) Rent of Tk. 50,000 given to Karim for using his house property as a place of business is included in office expenses. (i) Promotional expense includes Tk 22,000 for constructing a permanent billboard for advertising the services provided by the firm. (j) Bad debt includes Tk. 20,000 given to the employees as advance that becomes irrecoverable. (k) Tk. 10,000 of interest on securities is from tax-free government securities. (I) The firm owns a tea garden where tealeaves are extracted and processed to make the tea leaves marketable. (m) Payment to partners as follows: Monthly Salary (paid without deducting taxes at source) to Rahim Tk. 10,000. commission to Karim Tk. 60,000; interest on capital @ 10% Tk. 12,000 to Rahim and Tk. 10,000 to Karim; interest on loan @ 8% to Rahim Tk. 8,000. (n) Other income of the owners: Rahim - House Property Tk. 80,000; Import Business Tk. 60,000; Capital Loss Tk. 150,000; Agricultural Income Tk. 70,000 and Karim - Interest on less tax com. Securities Tk. 60,000; Loss from speculative business Tk. 80,000; Loss carried forward from previous year on speculative business Tk. 60,000 (o) Assume that the gross receipts of the firm were Tk. 19,000,000 during the year. Compute the taxable income of the firm and partners along with the tax liability of both the firm and partners.

Assessee: R & K International Assessment Year: 2024 – 2025	Income Year: 2023 - 202
Net Profit as per accounts Add: Inadmissible Expenses:	Tk. 1,000,00
Traveling Expenses Salary of GM (Tk. 16,000 * 12)	Tk. 15,000 192,000
Trademark Goodwill	10,000
Charge of Excess Depreciation	50,000 30,000
Legal Expense (penalty) Miscellaneous Expense (contract)	32,000
Promotional Expense (billboard)	18,000 22,000
Bad Debt (advance paid to employee) Salary to Rahim	20,000
Commission to Karim	120,000 60,000
Interest on Capital: Rahim Tk. 12,000; Karim Tk. 10,000 Interest on Loan to Rahim	22,000
	8,000 <u>599,00</u>

Add: Income not recorded: Bad Debt Recovered Less: Admissible Expenses: Obsolescence Losses (TK. 60,000 Tk. 50,000)	1,599,000 <u>60,000</u> 1,659,000 <u>10,000</u>
Less: Non-Business Income: Interest on Securities 60,0 Income from rent 300,0 Income from Sale of Tea 168,0	000
Business Income Add: Non - Business Income:	1,121,000
Interest on Commercial securities (fully exempted) Tk.	
Income from rent 52,632	32
Less: Repair and Maintenance (25%)75,000225,0Income from Sale of Tea (Agricultural Income)168,000	00
Less: Cost of Production (60%) 100,800 67,2 Total Taxable Income of the Firm	00 <u>344,832</u> 1,465,832

Allocation of Firm's income to the Partners

	Rahim	Karim	Total	Amount to be distributed
Amounts to be distributed				1,465,832
Salaries	120,000	-	120,000	1,345,832
Commission		60,000	60,000	1,285,832
Interest on Capital	12,000	10,000	22,000	1,263,832
Interest on Loan	8,000	-	8,000	1,255,832
Profit (allocated on 1:1 ratio)	627,916	627,916	1,255,832	•
Total amount allocated	767,916	697,916	1,465,832	

Taxable Income in the Hands of Partners

	Rahim	Karim
Share of income from the Firm	767,916	697,916
Income from rent (less: 25% for repair & maintenance)	60,000	37,500
Import Business	60,000	-
Agricultural Income (excluding 60% for cost of production)	28,000	
Interest on securities (grossed up)		75,000
Total Taxable Income	915,196	810,416

Tax Liability of the Firm: On First Tk. 350,000 @ 0% Tk. Nil; On Next Tk. 100,000 @ 5% Tk. 5,000; On Next Tk. 400,000 @ 10% Tk. 40,000; On Next Tk. 500,000 @ 15% Tk. 75,000; and On Next Tk. 115,832 @ 20% Tk. 23,166. Therefore, tax liability is Tk. 143,166 on total income of Tk. 1,465,832.

Minimum Tax: As the amount of gross receipt is given as Tk. 1.90 crore which exceeds Tk. 50 lac; we need to compute minimum tax of the firm which is 0.60% of Tk. 1.90 crore = Tk. 114,000. However, the tax liability of the firm will be Tk. 143,166 as this amount exceeds the minimum tax amount.

was A tability of the Partners

Tax Launing of		E market	Rates	Rahim	Karim
On First Tk. On Next Tk. On Next Tk. On Next Tk. On Next Tk.	Rahim 150 000 100,000 400,000 65,196 915,196	\$0,000 100,000 360,416	a 0% a 5% a 10% a 15%	Tk. Nil 5,000 40,000 9,779 54,779	Tk. Nil 5,000 36,042 - 41,042
Less Tax rehate i Rahim (54 Karim (41)	770 915.1961 * /	67.916 97.916		45,964	35,345
Net Tax Liability	of the Partners			8,815	5,697

- ☐ Capital nature expenditures like, traveling expenses for opening a new branch and billboard is inadmissible
- ☐ As monthly salary of GM is more than Tk. 15,000 and paid without check or bank transfer, this will not be an allowable expenditure
- Bad debt recovered is the income in current period as the amount was written off as bad debt in earlier period(s) which was allowed
- Payment for both trademark and goodwill are of capital nature, so inadmissible
- Obsolescence losses resulting from sale of motorcar would be an admissible expense
- ☐ Legal expense of Tk. 32,000 incurred due to the penalty imposed by custom authority, so not an allowable expense
- ☐ Miscellaneous expense to the amount of Tk. 18,000 incurred due to forming partnership contract is canstal in nature and not allowed
- Rent paid to Karim is an allowable expense and for Karim it will be considered as income from
- ☐ Bad debt amounting to Tk. 20,000 is not allowed, as this is the amount of advances paid to an employee that becomes irrecoverable
- □ 60% of the income from sale of tea will be shown as agricultural income and 40% as business income
- □ Tk 10.000 of interest on tax free securities is fully exempted. Remaining Tk. 50,000 is grossed up assuming that TDS has been deducted @ 5%
- ☐ Capital loss cannot be set off against profit from other sources rather should be carried forward for 6 successive years for set off against such income
- Last year's loss from speculative business cannot be set off in the current year as there is no income from such head, rather such loss can be carried forward for 5 more successive years to be set off. And current year's loss from speculative business can be carried forward for 6 successive years for set off

KEY POINTS

Partnership is the relationship among partners who run the business collectively
to make and share profits.
A clear distinction is needed between partnership and partners whenever the

sessment of a partnership firm comes. Because both partnership and partners are assessed separately for tax purposes.

☐ A firm as an assessee can go for

- assessment by DCT based on return (U/s 183),
- best judgment assessment (U/s 184).

☐ Income from firm is tax free income because tax on this part is already paid by the firm, and partners will get rebate at average rate on such income from it.

☐ In case of changes in constitution of a firm, the proportionate loss of a retired or deceased partner cannot be carried forward by the firm.

☐ To compute partners' share in the firm's profit or loss, we need to adjust any interest, salary, commission or any other payment made to partners.

☐ There may be a change in the composition (how many members a firm have) of a firm through admission or retirement of partner(s).

☐ If a change has occurred in the constitution of the firm, the assessment of the firm shall be made in normal way as if there is no change in the constitution of the firm.

☐ The words 'discontinued' and 'discontinuance' do not cover mere change of ownership or a change in the constitution of the firm, but refer to a complete cessation of business.

☐ The Deputy Commissioner of Taxes should be notified regarding such discontinuance within fifteen days thereof; and such notice shall be accompanied by a return of total income in respect of the period between the end of the income year and the date of such discontinuance and that financial year will be the assessment year in respect of the income of the said period.

MULTIPLE CHOICE QUESTIONS

- 1. The applicable rate of rebate on investment allowance for a firm is -
 - (a) No Rebate
- (b) 15%
- (c) 20%
- (d) 25%

- 2. Partner's taxable income doesn't include -
 - (a) Salary
- (b) Interest
- (c) Commission
- (d) Advertisement
- 3. The partner will get rebate on the amount of total tax payable if his total taxable income includes a portion from the share of profit of the firm, on which the firm has already paid tax, at a rate -(d) 25% (c) Average rate (a) 0% (b) 15%

4. To ensure equity and transparency, the share of income of a minor child, where husband, wife and minor child are partners, should be assessed with income of the -(d) lower of (a) & (b)

(b) wife (c) both (a) husband 5. Which one of the following is not the requisite of succession? -

(a) The composition of the business should be intact

- (b) There should be a change of ownership
- In case of succession otherwise than on death, the successor will be assessed upto which date?
- (d) The identity and continuity of the business should be substantially preserved.
- (d) Succession to the year end

(a) Will not be assessed

- In case of discontinuance, assessment may be made for the period -
 - (b) for the full year (d) last assessed year to discontinuation date
- (a) up to the date of discontinuance

(d) A month

- 8 Within how many days, the event of discontinuance should be notified to DCT? (a) 10 days

 (b) 15 days

 Within how many days the DCT may serve a notice to the partner(s) to furnish a return of total Within how many days the DCT may serve a notice documents after being notified regarding the income along with such other particulars, records, and documents after being notified regarding the
 - discontinuance of a firm?

(b) Maximum 15 Days

(a) Maximum 7 Days

- (d) Maximum 30 Days
- 10. Integrity of the business is retained in which of the following situation?
- (a) If the business is split up
- (b) If the nature of the business is changes
- (c) If the liability and assets of the earlier business is not taken
- (d) If there is substantial identity and similarity in the nature and extent of the activities

TRUE (T) OR FALSE (F) IDENTIFICATION

- 1. A partnership firm is a legal entity like a corporation
- The income of a firm is taxed at the same rate as applicable to an individual.
- Succession is the transfer by one trader to another of the business along with the goodwill, i.e., the right to that benefit which arises from connection and reputation.
- 4. Succession may take place without a valid transfer of ownership.
- The successor cannot claim to carry forward and set off the losses incurred by his 1 3 W 2 3 W predecessor

ПΤ	□F
ПΤ	□F
ПП	□F
_ T	□F JUM

dil

OT OF

DISCUSSION QUESTIONS (DQ)

- DQ18.1 Differentiate between partnership and partner.
- DQ18.2 State the procedure of assessment with respect to partners and partnership firm.
- DQ18 3 How the share of spouse or minor child in a partnership firm is assessed?
- DQ18.4 Mention the steps required to compute the share of partners' profit in a firm.
- DQ18.5 Is the firm responsible for unrecoverable portion of tax of a partner? If yes, to what extent?
- DQ18.6 In what situations, the composition of a firm may change?
- DOIB.7 What do you mean by succession? What are the requisites of succession?
- DQ18.8 Write short note on: □ Partners □ Partnership □ Succession □ Discontinuance

PROBLEM CASES (PC)

PC18.1: Mr. A, Mr. B and Mr. C are the three partners of ABC & Associates who shares profit and loss in a 2:2:1 ratio. The profit and loss account for the year ended on June 30, 2024, was given below:

Rent	Tk. 25,000	Gross Profit	Tk. 500,000
Utilities	20,000	GIOSS FIGHT	1 K. 300,000
Commissions	40,000		
Advertisements	15,000		
Miscellaneous Expenses	13,000		
Interest on Capital:	28,000		
A 7,000; B 7,000; C 6,000	20,000		
Salaries: A 24,000; C 22,000	46,000		
Net Profit	306,000		
	500,000		500,000

Other Information: (1) Rent includes Tk. 15,000 paid to Mr. C who partially owns the business premises. (2) Tk. 12,000 of commission is given to Mr. B for his special assignment. (3) Miscellaneous expense includes a donation of Tk. 8,000. (4) Partners have income from different sources as: Income from House Property Tk. 50,000 and Tk. 60,000 for A and C respectively; Income from Interest on Securities Tk. 40,000, Tk. 70,000 and Tk. 80,000 for A, B and C respectively; Agricultural Income Tk. 50,000 for B; Income from other sources (Dividend) Tk. 28,000 and Tk. 15,000 for A and C respectively. Compute the taxable income and tax liability of the firm and the partners and also show the amount of distribution to the partners.

PC18.2: P, Q & S are partners sharing profits and losses in the ration of 3:2:1. The particulars of income for the year ended 30th June 2024 are as under:

- ☐ House Properties: The firm owns a building consisting of two storeys of identical specification, partially used for the firm's business and partially for let out at a rent of Tk. 20,000 per month. The corporate valuation of the building is Tk. 3lac on which corporation tax is paid @10%. The firm has also earned Tk. 50,000 p.a. by letting its premises to a retailer for running his temporary business.
- ☐ Business in Apparels: The trading accounting for the year was as under:

Opening Stock	Tk. 700,000	Sales	Tk. 4,000,000
Purchases	3,000,000	Closing Stock	900,000
Gross Profit	1,200,000		
	4,900,000		4900,000

Stocks are always valued at cost plus 2% basis. Analysis reveals that purchase amount is understated by Tk. 2 lac for the year. Total expenses charged during the period amounts to Tk. 450,000 which included among other things, following items: (a) Maintenance to Building: Let -out portion Tk. 10,000 and Portion used for business

Tk. 10,000. (b) Municipal Taxes Tk. 25,000 (Municipal taxes for the year were Tk. 10,000. Tk. 10,000. (b) Municipal Taxes 1k. 2000 (c) Annual contribution to Cotton Dealers Association, 30,000: tenant paid Tk. 5,000) (c) Annual contribution to Aga Khan Development N 30,000; tenant paid Tk. 5,000) (c) Annual Tk. 5,000 (d) Contribution to Aga Khan Development Network a trade association Tk. 10,000. (d) Contribution to Aga Khan Development Network a trade association Tk. 10,000. (d) Contribution to Aga Khan Development Network a trade association Tk. 10,000. (a) Control (a) Q Tk. 40,000 and S Tk. 50,000 Tk. 50,000 where there was a fix Tk. 50,000. (e) Salaries to the parties.

(e) Legal charges amount to a total of Tk. 50,000 where there was a fine of Tk. 50,000 where there was a fine of Tk. (e) Legal charges amount to a total with infringement of law. (f) Amount of bad 10,000 charged due to its attachment with infringement of law. (g) Loss on speculative transcare. 10,000 charged due to its attachment (g) Loss on speculative transactions Tk debt Tk. 18,000 which is not allowed. (g) Loss on speculative transactions Tk dept 18. 18,000 which is 18. 2,000 less than tax depreciation, 50,000. (h) Accounting depreciation is Tk. 2,000 less than tax depreciation.

P had no other sources of income, but Q and S were also partners in another firm. The of Q & S for the year ended 30th June 2024 were as under:

shares of Q & .	, 101 ,	Interest	Profit/ (Loss)	Total
Partners Q	40,000 60,000	10,000 20,000	(50,000) 20,000	100,000
3	00,			

P has also income from a house property at London amounting to Tk. 500,000 (after deduction of 15% tax at source). S has other personal income of Tk. 40,000.

Required: Compute tax to be paid by the firm in which P, Q and S are partners and total taxable income in the hands of those partners from all sources. Also, State the principles governing the basis of taxability of total income of P, Q & S.

PC18.3: A, B and C are partners in a firm sharing profit and loss in the ratio of 2:2:1. The firm showed income of Tk. 2 lac as at 30.06.2024. Examination of the books of accounts of the firm revealed: (1) A, B, C were paid salary at Tk. 36,000 Tk. 45,000 and Tk.48,000 respectively (2) A and C were paid interest at Tk. 40,000 and Tk. 50,000 respectively for the money borrowed from them (3) Commission on sale of goods paid to partner B Tk. 30,000 (4) Factory rent Tk. 150,000 paid to partner A (5) Office rent Tk. 60,000 paid to partner B (6) Penalty Tk. 55,000 paid for violation of customs law (7) Donation made to Aga Khan Foundation Tk. 50,000 (8) Advance tax paid Tk. 35,000 (9) Partners' drawings were: A Tk. 50,000; B Tk. 45,000 and C Tk. 40,000. From the above information compute the total income of the firm and of each partner.

PC18.4: Sun-Moon Enterprise is a firm comprising of two partners named Sun and Moon sharing profit and losses in a ratio of 2:1. During the year ended on June 30, 2024, the partners besides their shares in the firm enjoyed income and substantial losses from other sources: Sun: Income from House Property Tk. 80,000; Income accrued in India from partnership Tk. 70,000; share of loss from an Association of Persons Tk. 60,000 and Property tax paid Tk. 5,000. Moon: Capital gain Tk. 20,000; loss from Speculative business Tk. 60,000; profit on sale of residential house property Tk. 150,000; income from lottery Tk. 80,000 and Income tax refund Tk. 11,000. The profit and loss account of the firm for the year ended June 30, 2023, follows:

Office Contingencies Salaries: Staff 50,000, Sun	Tk. 6,000	Gross profit b/d Dividend	Tk. 415,000 60,000
25,000, Moon 15,000 Repairs to building	90,000 25,000	Interest on Securities	25,000
Bad Debts	8,000		
Advance Income Tax	15,000		
Legal expenses	7,000		
Commission to Sun	10,000		
Life insurance premium: Sun	15,000		
Fire premium	18,000		
Commission to broker	8,000		
Depreciation	12,000		
Net Profit	286,000		
	500,000		500,000

Other information: Included in repairs is Tk. 15,000 on account of cost of typewriter to be depreciated @ 10% p.a. as per taxation law; legal expenses are inclusive of Tk. 5,000 being the fine imposed by Custom Authorities for infringement of law; office contingencies include Tk. 2,000 spent as commission for investment in shares: depreciation admissible excluding typewriter is Tk. 14,000; Interest earned is on less tax gov securities; the policy value of life insurance for Sun is Tk. 1 lac.

Required: Find out the taxable income of firm and taxes payable by it and complete the income taxable in the hands of partners and the tax liability of the partners

PC18.5: M/s RJT and Co. is a partnership firm. Mr. Rony, Mr. Jony and Mr. Tony are three partners of the firm who shares profit and losses at a ratio of 5:4:3. The firm filed return of income showing net profit at Tk. 2,000,000 for the assessment year 2024-2025. Examination of the books of accounts revealed: (a) Salary includes payment of Tk. 150,000 to Mr. Rony, Tk. 120000 to Mr. Jony and Tk. 70,000 to Mr. Tony. (b) Rent includes the payments for office rent to Mr. Tony Tk. 120,000 and godown rent to Mr. Rony Tk. 60,000. (c) Miscellaneous expenses include payments for commission Tk. 20000 to Rony; Tk. 36,000 paid to Mr. Bari who is working as caretaker at the residence of Mr. Tony; Tk. 24,000 paid as salary to Ms. Bari who is working as maid servant at the residence of Jony; Tk. 90,000 paid to Jony for using his lorry in the shipment of goods and Tk. 65,000 paid as interest for the amount of money borrowed from Tony. (d) Partex Holding constructed the factory building of M/s RJT and the firm paid Tk. 1,500,000 to Partex Holding without deduction of any taxes. (e) During the year under consideration the firm imported sugar and Tk. 120,000 was deducted as AIT by the custom authority at the import stage. The sugar remains unsold during the year. This is the 1st year of assessment. The firm paid no advance taxes as per provisions of sec-156. From the above information compute the total income of the firm and of partners, tax payable by the firm and simple interest if any payable.

PC18.6: Ram and Laxman are the two equal partners of 'R & L International' that

reports income of Tk. 12 lac for the current assessment year:

R & L International Income Statement For the year ended on June 30, 2024

10	or the year	Credit	Tk
Dehit	Tk. 250,000	Balance b/d	1,245,000
Salaries	90,000	Interest on securities (net)	60,000
Commission	40,000	Income from house property	350,000
Interest	30,000	Income from sale of rubber	270,000
Traveling Expense	50,000	Dividend Income	100,000
Legal Expense	60,000	Interest on Drawings (Ram)	5,000
Office Expenses	35,000	Gain on Sale of Motor Car	10,000
Promotional Expenses	40,000		
Bad Debt	90,000		
Miscellaneous Expenses	80,000		
Depreciation Expense	75,000		
Donation	1,200,000		
Net Profit	2,040,000		2,040,000

A scrutiny of the accounts as submitted, the DCT revealed the followings facts:

- ☐ Tk. 12,000 shown as traveling expense of Ram for opening a branch at Sylhet.
- ☐ Mr Jaylal, the general manager of the firm received TK. 14,000 of monthly salary without bank transfer or check, rather paid in cash.
- ☐ Bad debt recovered of Tk. 40,000 was not shown in the credit side of the P/L A'C. Such recoverable amount was not written off earlier as it was disallowed by the authority.
- ☐ Tk. 10,000 was paid for registering trademark and Tk. 50,000 was paid for purchasing goodwill both of which are charged against current year's profit.
- ☐ Accounting depreciation charged was Tk. 30,000 less than the tax depreciation.
- Data relating to motorcar that has been sold during the year was as follows:

Original Cost : Tk. 80,000 Accumulated Depreciation (as per accounts) : Tk. 60,000 Depreciation approved by tax authority to date : Tk. 55,000 Sales Proceeds : Tk. 30,000

- ☐ Legal expenses include Tk. 30,000 for penalty imposed by Custom Authority and miscellaneous expense includes Tk. 15,000 as a cost of forming contract among
- \square Rent of Tk. 50,000 given to Laxman for using his house property as a place of business is included in office expenses.

- ☐ Promotional expense includes Tk. 20,000 for constructing a permanent billboard for advertising the services provided by the firm.
- ☐ Bad debt includes Tk, 20,000 given to the employees as advance that becomes irrecoverable. An embezzlement amount of Tk. 5,000, which was misappropriated by the cashier-cum-accountant, was also included in this item. Such embezzlement was incurred during the office hours.
- ☐ The firm owns a rubber garden where rubbers are extracted and processed to make it marketable.
- The firm has invested Tk. 250,000 for purchasing shares in IPO.
- Payment to partners as follows:

	Ram	Laxman
Monthly Salary (paid without deducting taxes at source)	10,000	-
Commission	-	60,000
Interest on Capital @ 10%	12,000	10,000
Interest on Loan @ 8%	8,000	-

Other income of the owners:

Ram	Laxman
House Property Tk. 70,000; Income of Spouse Tk. 60,000; Win Lottery Tk. 150,000, Agricultural Income Tk. 70,000	Interest on less tax com. Securities Tk 60,000; Loss from speculative business Tk. 80,000; Foreign Income Tk. 60,000 Dividend Income Tk. 40,000.

Ram has monthly DPS of Tk. 5,000 and Laxman has a life insurance policy with a policy value of Tk. 1,000,000, yearly premium amounts to Tk. 63,500.

Required: Compute the taxable income of the firm and partners along with the tax liability of both the firm and partners.

ANSWERS

MUL	TIPI	LE CI	ноіс	E QU	JEST	IONS	S					TRI	JE/F	ALSE
1	2	3	4	5	6	7	8	9	10	1	2	3	4	5
b	d	С	d	a	d	d	b	a	d	F	T	T	F	T

SELF - REVIEW 18.1

Yes

SELF - REVIEW 18.2

Rent will be an allowable expense for the firm but for the partner, it will be an income from house property.

SELF - REVIEW 18.2

Both

Assessment of Company

"The best measure of a man's honesty isn't his income tax return. It's the zero adjust on his bathroom scale." – Arthur C. Clarke

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

CLO 19.1 explain the concepts of company

CLO 19.2 determine the residential status of a company

CLO 19.3 explain concepts relevant for assessing a company CLO 19.4 list the fiscal incentives available for a company

CLO 19.5 recall the tax rates applicable for a company

CLO 19.6 determine tax liability of a company

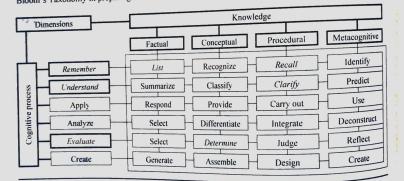
CLO 19.7 explain the requirements for tax compliance

KEY TERMS

Residential Company, status, Withholding tax. Incentives, CSR, Transfer pricing, One person company, AIT, Banking, and Industrial company, Tax rebate, Compliance

Bloom's Taxonomy

This chapter covers (italic) the entire knowledge dimension and three levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



INTRODUCTION 19.1

Assessment of companies is very important for the government of any country. Because a significant portion of the revenue of government comes from the taxes that companies deposit to the government exchequer. Companies generate revenue from two sides. It pays tax on its income and also causes taxes by giving salaries and other taxable income to individuals and other persons. Thus, government is very careful in this regard and gives sufficient care towards the smooth functioning of companies. This chapter introduces the assessment of companies irrespective of their nature.

DEFINITION 19.2

CLO 19.1

CLO

19.1

Definitions of company are manifold. In ITA, 2023 it has a different focus, and the scope has been extended significantly. Let us define companies from every angle here to make the discussion an exclusive one.

Definition of 'Company' as per IT Act, 2023

"Company" means a company as defined in the Companies Act, 1994 (Act No. XVIII of 1994) and includes -

- ☐ A liaison office, representative office or branch office of a foreign entity;
- ☐ Any permanent establishment of a foreign entity or person;
- ☐ Any association or body incorporated by or under the laws of any country outside Bangladesh;
- ☐ Any bank, insurance or financial institution;
- ☐ Any industrial and commercial organization, foundation, association, cooperative societies or any educational institutions;
- ☐ Any organization registered with Bureau of NGO Affairs or Microcredit Regulatory Authority;
- ☐ Any association of persons, joint venture, or an association or combination of persons, called by whatever name, if any of such persons is a company or foreign entity as defined in the Companies Act, 1994;
- ☐ Any government entity, local authority or autonomous body;
- ☐ An entity established or constituted by or under any law for the time being in force;
- ☐ All entities other than individuals, firms, association of persons, trusts, Hindu undivided families, or funds
- ☐ any foreign association or body, not incorporated by or under any law, which the Board may, by general or special order, declare to be a company for the purposes of this Act [U/s 2(31)].

Definition of 'Company' as per Companies Act, 1994

Thus, the definition as given in IT Act, 2023 considers the definition of Companies Act, 1994; and extended it further to enlarge the scope. Companies Act 1994 defines 'Company' to mean a company formed and registered under the act or an existing company [U/s 2(c) of Companies Act, 1994]. Again, 'existing company' means a company [U/s 2(c) or Companies means a company formed and registered under any law relating to companies in force at any company formed and registered states. In time before the commencement of the act and is in operation after the act and it
Public and Private Company as per Companies Act, 1994

The company act also classifies company as public and private. Private company means a company which by its articles -

- ☐ Restricts the right to transfer its shares, if any;
- Prohibits any invitation to the public to subscribe for its shares or debentures:
- ☐ Limits the number of its members to fifty not including persons who are in its employment [U/s 2(q) of Companies Act, 1994].

And 'public company' means a company incorporated under the Act or under any law at any time in force before the commencement of the act and which is not a private company [U/s 2(r) of Companies Act, 1994].

Bangladeshi and Foreign Company as per IT Act, 2023

In terms of location, IT Act again classifies companies as Bangladeshi and Foreign, 'Bangladeshi Company' means a company formed and registered under the Companies Act, 1994 and also includes a body corporate established or constituted by or under any law for the time being in force in Bangladesh having its registered office in Bangladesh [U/s 2(61)].

Whereas 'foreign company' means a company which is not a Bangladeshi company [U/s 2(64)].

Banking Company as per IT Act, 2023

IT Act also defines 'Banking Company' that has the same meaning as in Bank Companies Act, 1991, and includes anybody corporate established or constituted by or under any law for the time being in force which transacts the business of banking in Bangladesh [U/s 2(71)].

One Person Company (OPC)

One Person Company [OPC] means and includes a company whose shareholder is merely a natural person [U/s 2(1) (bb) of the Companies Act, 1994]. Under this section, any natural person may incorporate an OPC for any lawful object by signing his/her name into the memorandum as the only shareholder.

A natural person can only form a One Person Company (OPC) and to distinguish them from other form of companies, instead of the word "LTD" after the name of a company, OPC (One Person Company) should be written for indication of Limited Company when formed by a single person.

Chapter - 19 Assessment of Company

19.3

CLO

19.2

RESIDENTIAL STATUS OF COMPANIES

As the application of different sections of ITA and even tax rate depends on the residential status of the assessee, it is important to know the residential status of the assessee. "Resident", in respect of any income year, means a Bangladeshi company or any other company, the control and management of whose affairs is situated wholly in Bangladesh in that year [U/s 2(45)(c)]. And "non-resident" means a person who is not

- ☐ the company should be a Bangladeshi company, i.e., formed and registered under the Companies Act, 1994 and includes a body corporate established or constituted by or under any law for the time being in force in Bangladesh having
- any other company the control and management of whose affairs is situated

If any of the two conditions have not been fulfilled, the status of such a company will

CLO

19.3

SUBMISSION OF RETURN

A company assessee shall file or cause to be filed a return of income of the income year with the Deputy Commissioner of Taxes on or before the Tax Day.

Tax Day for Company assessee

For company assessee, Tax Day is the $15^{\rm th}$ day of the $7^{\rm th}$ month following the end of the income year or the 15th day of September whichever comes later [U/s 2(23)(b)].

Example		
Income year ended on:	31 December	 Tax Day: Next 15 September
		Tax Day: Next 15 October
•	30 June	 Tax Day: Next 15 January
	30 September	Tax Day: Next 15 September

Every assessee must submit a return on or before Tax Day (U/s 171). No provision of extension prayer is available under ITA 2023. Example in exhibit 19.1 will depict a clear idea about the identification of the Tax Day for a company assessee:

Accompanying Documents with Return of Companies:

Such return submitted by the company assessee should accompany an audited statement of accounts, proof of compliance with standards as prescribed by the board from time to time for verification, and a computation sheet explaining the difference between the profit or loss shown in the statement of accounts and the income shown in the return [U/s 169(2)].

EXHIBIT

Tax Day for Companies

	1000	1	ne year ended (n	
1 - Faho			02 2021	30.04.2021	30.06.2021
Day following the end of the	30.11.2020	31.12.2020	- 10 2021		15.01.2022
income year	15.06.2021	15.07.2021	- 00 2021		15.09.2021
(a) 15th day of the 7th month	15.09.2021		- +0 2021		15.01.2022
(b) 15th day of September	15.09.2021				2021 - 2022
Tax Day [later of (a) & (b)	2021 - 2022	2021 - 2022	2022		
Assessment year					

Who will sign and verify the Return of Companies?

In the case of a company, the return should be verified and signed by the principal officer of the company [U/s 169(5)(c)]. According to Section 2(54), Principal Officer

- managing director, chief executive officer, chief financial officer, director. secretary, treasurer, agent or accountant (by whatever designation known), or any officer responsible for management of the affairs, or of the accounts, of the authority, company, body or association; and
- ☐ any person connected with the management or the administration of the local authority, company, body or association upon whom the DCT has served a notice of his intention to treat him as principal officer.

SET OFF AND CARRY FORWARD OF LOSSES 19.5

CLO 193 Where loss is assessed in any head of income, the company is entitled to set off the loss against its income assessed in other heads of that year. However, loss on speculative business, capital gain, business and tobacco business cannot be set off against income from any other head. If there is no income from other speculative business, capital gain, business and tobacco business in the same year; such loss can be set off only against the income of respective speculative business, capital gain, business and tobacco business in the coming years, if any. When loss cannot be wholly set off, then the unabsorbed loss shall be carried forward but for not more than six successive assessment years. However, unabsorbed depreciation loss can be carried forward for unlimited period. Loss so carried forward is to be set off against income of the respective head only. It is to be noted that loss from the source of exempted income cannot be set off against any source of taxable income.

RETURN OF WITHHOLDING OF TAX 19.6

CLO 19.3 In Bangladesh, withholding of taxes is usually termed as tax deduction and collection at source. This system is considered as an important mechanism of tax collection. Under this system both private and public limited companies are legally authorized and bound to

deposit the same to the Government Exchequer. The taxpayer receives a certificate from the withholding agent and gets credits of tax against assessed tax demand on production of the certificate. Section 177 of ITA 2023 provides the details on the submission of withholding tax return.

Every person, being a company (other than local authority, autonomous body, any government authority, primary and pre-primary school of Bangla medium, Government secondary or higher secondary or educational institutions run on monthly payment order basis), shall file a return of withholding tax collected or deducted with the Deputy Commissioner of Taxes where he is being assessed.

The return shall be prepared in prescribed form and signed and verified by the principal officer. Such return shall be filed with 25th day of every month for the previous month. If the fifteenth day falls on government holiday or weekend, such return should be submitted within following office day. The Board, through official gazette notification, may prescribe forms and process for submission of return readable through electronic, or mechanical media or computer.

19.7 CLO

19.3

ADVANCE PAYMENT OF TAX

Every company assessee shall pay advance tax in four equal installments falling on 15th Sept.; 15th Dec.; 15th March and 15th June of each financial year if the latest assessed income exceeds Tk. six lakhs [(U/s - 155(2), 154(1)].

However, cigarette manufacturing company will pay advance tax monthly @ 3% [Three percent] on net sale. On failure of payment of any installment, the company will be deemed to be an assessee in default. Penalty may be imposed for such default. If a company estimates that its income during any financial year will be less than the last assessed income, it may submit an estimate of income and pay the advance tax accordingly.

If the amount of advance tax together with the tax deducted at source, if any, is less than 75% of the tax payable on the basis of regular assessment, interest @10% is leviable on the amount by which the tax so paid and deducted falls short of 75% of the assessed tax. On the other hand, the company is entitled to receive interest @10% on the amount by which the aggregate sum of advance tax paid during a financial year exceeds the amount of the tax payable on the basis of regular assessment.



Last year's assessed income of Company X was Tk. 1,500,000. During current year, X paid advance tax of Tk. 120,000 and TDS of Tk. 32,000. However, tax liability of the company on the basis of regular assessment is Tk. 380,000. Compute amount of interest to be paid by the company, if any.

19.8

FISCAL INCENTIVES

CLO 19.4 Following fiscal incentives are available for a company:

- ☐ Registered start-ups involved with deployment or commercialization of new products, process or service driven by innovation, development and technology or intellectual property, will get several facilities, say,
 - submission of income tax return only if the company gives permanent access to its system or books of accounts;
 - minimum tax @ 0.1%; and
 - carry forward of losses to set-off for 9 years.
- Industries set-up in Special Economic Zones (SEZ), developing unit (DU) in SEZ and Hi-Tech Park Zone (HPZ) will enjoy tax exemption benefits for certain years from the date of commercial operation at the rate specified below:

		Year-wise Exemption (% of Business Income)										_
	1	2	3	4	5	6	7	8	9	10	11	12
SEZ	100	100	100	80	70	60	50	40	30	20	<u> </u>	-12
HPZ	100	100	100	100	100	100	100	70	70	70	_	-
DU SEZ	100	100	100	100	100	100	100	100	100	100	70	30
DU HPZ	100	100	100	100	100	100	100	100	100	100	70	30

Note:	Remarks		Exempted for
SEZ	Income except income from edible oil, sugar,		10
	flour, cement, iron and iron made product		10 years
HPZ	•	_	10 years
DU SEZ	Income of economic zone developer		12 years
DU HPZ	Income of Hi-Tech Park developer	_	12 years

Partial tax exemption is available for newly established industrial undertaking (NEIU) and newly established physical infrastructure facility (NEIF) set up within the defined periods as given below:

		Ye	ar-wi	se Exe	emptic	on (%	of Inc	ome)		
	1	2	3	4	5	6	7	8	9	10
NEIU [1]	90	80	60	40	20	-	-	-	-	-
NEIU [2]	90	90	75	75	50	50	50	25	25	25
NEIF	90	90	75	75	50	50	50	25	25	25

Note: NEIU shall establish between 1 July 2020 and 30 June 2025 where NEIU [1] established in Dhaka and Chattogram Divisions, and NEIU [2] established in other Divisions. NEIF shall established within 30 June 2024 and going into commercial production/operation within those dates.

Chapter - 19	Assessment of Company
--------------	-----------------------

The business income access	Chapter - 19 Assessment of Company
The business income of PPP Project Comfor the next 10 years from the date of comform industries set up in export	pany is fully ever
Income from industries set up in export income tax for specified number of years	nmercial operation.
income tax for specified number of years	processing zone (EPZ) is exempted from
- Jours	as mentioned below:

		-					
	Year	-wise	Exem	ption	(% of	Incom	10)
EPZ [1]	1	2	3	4	5	6	7
EPZ [2]	100	100	50	50	25		
EPZ [1] Db-1	100	100	100	50	50	50	25

Dhaka, Mymensingh and Chattogram divisions excluding Rangamati, Bandarban and Khagrachari districts EPZ [2]

Rajshahi, Khulna, Sylhet and Barisal divisions and Rangamati, Bandarban and Khagrachari districts

- ☐ Income derived from the business of software development or Nationwide Telecommunication Transmission Network (NTTN) and information technology enabled services (ITES) will get tax exemption within July 2020
- Subject to the fulfillment of specific conditions, following industries will get tax exemption for 10 years:
 - Companies engaged in production of automobile (3-wheeler and 4wheeler) in Bangladesh (additionally for the next 10 years, the company will enjoy reduced tax rate of 10%).
 - Companies producing motherboard, cashing, UPS, speaker, sound system, power supply, USB cable, CCTV and pen-drive.
 - Companies engaged in production of light engineering items.
 - Companies prroduces home appliances including washing machine, blender, microwave oven, electric oven, rice cooker, electric sewing machine, induction cooker, kittenhood and kitchen knives.
 - Companies engaged in providing career orientated education and training on automobile, aircraft storage, food, footwear, glass, mining, mechanical, ship building, leather, refrigeration, ceramics, mechanist, garment design and pattern making, pharmacist, nursing, integrated medical, radiology and imaging, ultrasound, dental, animal health, clothing and garment finishing, poultry farming in agriculture, fisheries, science and IT sector.
 - Hospitals from proving health care services.
- ☐ Income derived from the export of handicrafts shall be tax exempt up to 30 June 2024.
- ☐ Income derived from any Small and Medium Enterprise (SME) engaged in production of any goods is exempted if annual turnover is not more than Taka 5 million (Taka 7 million if the SME is owned by women)

Bangladesh Income Tax - Theory and Practice

CLO

195

APPLICABLE TAX RATES FOR COMPANIES

Charge of Additional Tax (Under Section 19) Charge of Additional Tax (Under Section)
Where any person employs or allows, without prior approval of Bangladesh where any person employs or allows, without prior approval of Bangladesh Where any person employs or anions, the competent government Investment Development Authority (BIDA) or any other competent government Investment Development Authority (BIDA) or any other competent government Investment Development Authority (DIDE), authority, any individual not being a Bangladeshi citizen to work at his business of authority, any individual not being a Bangladeshi citizen to work at his business of authority, any individual not being a Bangladeshi citizen to work at his business of authority, any individual not being a base year, such person shall be charged profession at any time during the income year, such person shall be charged profession at any time during the most income or taka five lakh, whichever is additional tax @ 50% of the tax payable on his income or taka five lakh, whichever is higher in addition to tax payable under this Ordinance.

Charge of Additional Amount, Etc. [Under Section 18(3)(d)] Charge of Additional Amounts, See that Act any interest, amount or any other sum, by Where under the provisions of this Act any interest, amount or any other sum, by Where under the provisions of any different to tax, it shall be charged, levied whatever name called, is to be charged in addition to tax, it shall be charged, levied paid and collected accordingly.

Charge of Minimum Tax [Under Section 163]

Where under the provisions of this Act any minimum tax is to be charged, it shall be where under the provisions of the charged, levied, paid and collected accordingly. The rule for minimum tax computation has been enumerated in Section 163 of the IT Act, 2023. As per section computation has been entired as 163(2)(b), any TDS under sections 88-92, 94-95, 100-102, 105, 106, 108, 110-118. 120-129, and 132-139 shall be the minimum tax on income from the source or sources for which tax has been deducted or collected. It is important to maintain the books of account in a regular manner under the provisions of sec. 72 for the sources of income for which minimum tax is applicable. Income of these sources shall also be determined in regular manner and tax shall be calculated by using regular rate on such income. Then tax liability for these sources will be finalized as per the follow rules:

Amount of minimum tax as calculated before Amount of regular tax	Whichever is higher

It is important to note that the income or loss computed here shall not be set off with the income or loss computed for any regular source. However, the tax deducted or collected from the following sources shall not be the minimum tax [u/s 163(3)]:

Section 89	 a contractor or a sub-contractor to the contractor of an oil company an oil marketing co. & its dealer/agent excluding petrol pump station; any company engaged in oil refinery;
	 any company engaged in gas transmission or gas distribution;
Section 120	import of goods by an industrial entrepreneur (except an industrial entrepreneur engaged in producing cement, iron/iron products, ferro alloy products, perfumes, carbonated beverage and toilet waters) as raw materials for his own consumption;



Prescribe the tax effect of the given two companies considering: (a) ABC plc fails to declare dividend for the year within six months following the income year. (b) XYZ Banking Company reports net profit of Tk. 12,00,000 which is more than 50% of the aggregate sum of capital.

Example: Company X imports finished goods to sell in the local market on which TDS is imposed under section 120 at import stage. Should the company gross up the income to show total income? Should the company submit brief audited accounts in support of this transaction?

Minimum tax u/s 163 is applicable for import business as done by Company X. Thus, the company should compute total tax and income under the provisions of section 163. Showing total income through back-calculation of gross up is not permissible. At the same time, a complete set of accounts should be prepared under section 72 and audited for submission. There is no opportunity to submit brief audited account.

Regular Tax on Regular Sources of Income Applying Regular Tax Rate

If the assessee has income from regular source in addition to the income from source or sources for which minimum tax is applicable, regular tax shall be calculated on the income from regular source. The tax liability of the assessee shall be the aggregate of the tax as determined u/s 163(2) and the regular tax under Section 163(4)(a).

Minimum Tax for Companies

For company assessees, minimum tax should be computed applying the provisions as mentioned in Section 163(5). Every company, irrespective of its profits or loss in an assessment year, for any reason whatsoever, including the sustaining of a loss, the setting off of a loss of earlier year or years or the claiming of allowances or deductions (including depreciation), be liable to pay minimum tax in respect of an assessment year at the following rate:

Rate of minimum tax as percentage of the gross receipts	_	
Manufacturer of cigarette, bidi, chewing tobacco, smokeless tobacco or any other tobacco products		3.00%
Carbonated beverage (SRO no 259 dated 29.08.23)		3.00%
Mobile phone operation or in		2.00%
Individual except individual engaged in mobile phone operation or in manufacturing of cigarette/bidi/chewing tobacco/smokeless tobacco or any other tobacco products, having gross receipts Tk. 3 crore or more		0.25%
Any other cases	\vdash	0.60%
Industrial undertaking manufacturing of goods for the first three income years since commencement of its commercial production.		0.10%

Bangladesh Income Tax - Theory and Practice

Не	ere, gross receipts mean - all receipts derived from the sale of goods: all receipts derived from the sale of goods:
	all receipts derived from the sale of goods. all fees/charges for rendering services or giving benefits including commissions all fees/charges for rendering services or giving benefits including commissions
	40 contract
	all receipts derived from any heads of income.
	or is subject to a reduced tax rate, the gross receipts from such source or sources all be shown separately, and the minimum tax shall be calculated as:
	minimum tax for receipts from sources that are subject to regular tax rate shall be
	rate shall be calculated by applying the rate mentioned in above table as reduced in appropriate to the exemption of tax or the reduction of rate of tax;
	minimum tax shall be the aggregate of the amounts calculated in (i) & (ii) above.
If b	both the sub-sections (2 & 5) of section 163 is applicable to an assessee, minimum payable will be the higher one between minimum tax as per sec 163(2) & 163(5).
Poi	ints to be noted in finalizing the minimum tax
	Minimum tax shall not be refunded or adjusted against refund due for earlier year or years or refund due for the assessment year from any source. [U/s 163(7)]
	Any surcharge, additional interest, additional amount etc. is payable, it shall be payable in addition to the minimum tax. [U/s 163(8)]
	Where the regular tax calculated for any assessment year is higher than the

EXHIBIT

19.2

Charge of Tax for Companies: Few Cases

minimum tax, regular tax shall be payable then. [U/s 163(9)]

CHARGE OF MINIMUM TAX

Case 1: Gross receipt of Company Y, a private limited company, for the year ending on June 30, 2024, is Tk. 50 lac [10 lac from the regular sources and 40 lac from sources subject to 15% TDS]. Here, minimum tax for Company Y will be as follows:

Gross receipt from regular sources	Tk. 1,000,000 @ 0.60%	Tk.	6,000
Gross receipt subject to TDS @ 15%	Tk. 4,000,000 @ 0 60% × [15 + 30]		12,000
Total men mum tax of Company Y		Tk	18,000

Case 2: Company M. a Private Limited Company, has imported goods valuing Tk. 40,00,000 on which tax has been deducted at sources @ 5% (Tk. 200,000). The imported goods are sold for Tk. 75,00,000 during the income year en

Company M reports Tk. 800,000 profit during the year as per the audited account submitted with the National Board of Revenue. On scrutiny, the Deputy Commissioner of Taxes find no expenses disallowed and thus the account is accepted. Here, Company M is subject to both 163(2) and 163(5) and thus, minimum tax will be

Minimum Tax Under Section 163(2):	
Minimum Tax deducted at source Regular tax on regular sources at regular rate (27.50% of Tk. 800,000) Minimum tax (I/S 163(2) will be (whichever is higher)	Tk. 200,000 Tk. 220,000 Tk. 220,000
Minimum Tax Under Section 163(5):	
ceass receipt of the company	Tk. 75,00,000
Minimum tax rate on gross receipt	× 0 60%
Minimum tax U/S 163(5) will be	Tk 45,000

Thus, minimum tax for Company M will be Tk. 220,000 under section 163(6).

Case 3: Gross receipt of Company P, a private limited company operating in Dhaka, is Tk. 80.00,000 during the income year ended on June 30, 2024. The company has reported Tk. 200,000 as profit in submitted accounts with the NBR.

The Deputy Commissioner of Taxes doesn't find any expenses inodmissible under section 55 and the Deputy Commissioner of Taxes concludes that the company has complied with all the rules in every respect. Here, the amount of minimum tax for the assessment year is.

Regular tax (27 50% of Tk. 200,000)	Tk.	55,000
	Tk	48,000
Thus, the tax hability of Company P will be	Tk	55,000

CHARGE OF TAX ON STOCK DIVIDEND

Case 1: XYZ Ltd. a publicly traded company declares and pays stock dividend valuing at Tk 800,000 and cash dividend of Tk 800,000 for the year 2024. As the value of both cash and stock dividend is same, there will be no tax on stock dividend declared by XYZ Ltd. for the year.

Case 2: XYZ Ltd. a publicly traded company, declares and pays stock dividend valuing at Tk. 600,000 and cash dividend of Tk. 800,000 for the year 2024. As the value of stock dividend is less than that of cash dividend, there will be no tax on stock dividend declared by XYZ Ltd. for the year

Case 3: XYZ Ltd., a publicly traded company, declares and pays stock dividend valuing at Tk 800,000 and cash dividend of Tk 600,000 for the year 2024.

As the value of stock dividend is more than that of cash dividend, XYZ Ltd. has to pay tax on whole of stock dividend declared for the year 2024 at the rate of 10%. The amount of tax on stock dividend will be Tk. 80,000 (10% of Tk. 800,000).

Case 4: XYZ Ltd., a publicly traded company, declares and pays stock dividend valuing at Tk. 800 000 for the year 2023. As the company doesn't declare any cash dividend for the year XYZ Ltd. has to pay tax on whole of stock dividend declared for the year 2024 at the rate of 10%. The amount of tax on stock dividend will be Tk. 80,000 (10% of Tk. 800 000).

CHARGE OF TAX ON RETAINED EARNINGS

Case 1: XYZ Ltd., a publicly traded company, declares 20% cash dividend and 10% stock dividend for the year 2023. The company is not required to pay taxes on stock dividend and retained earnings as the amount of retained earnings doesn't exceed 70% of the net income after tax and cash dividend is more than stock dividend Case 2: XYZ Ltd., a publicly traded company, discloses Tk. 5,000,000 as the net income after tax for the year 2023. It declares no cash dividend for the year but stock dividend of 10% (equivalent to Tk. 500,000). The company is subject to both taxes on stock dividend and retained earnings,

As no cash dividend is declared for the year, taxes on stock dividend will be 10% of whole amount of stock dividend, i.e., Tk. 500,000 = Tk. 50,000

Taxes on Retained Earnings:

As the dividend declared is only 10%, it means the amount transferred to retained earnings exceeds 70%. Thus 10% tax should be counted on whole amount transferred to retained earnings, i.e., Tk. 4,500,000 = Tk. 450,000.

Tax on the Difference of Investment, Import and Export [Section 201

Where, in any income year, the assessee has, in the statements submitted by him:

- ☐ claimed to have carried on any import or export, and the amount paid or received for such import or export respectively, as shown in the statement, is found to be different from the actual transaction value (clause a), or claimed to have made any investment and the actual investment is found to be lower than the amount of investment disclosed in the statement (clause b),
- ☐ tax, without prejudice to any other provisions of this Ordinance, shall be payable at the rate of fifty percent (50%) on the amount of the difference as mentioned in clause (a) or on the difference between the disclosed and the actual amount of investment as mentioned in clause (b), as the case may be.

Example: X Ltd., a private limited company, has claimed that the monetary value of their total export during the income year 2023-24 was Tk. 5,00,00,000. But through an investigation it has been revealed that its actual amount of export was Tk. 6,00,00,000. In addition to the amount of its regular tax, X Ltd. has to pay an additional tax amount of fifty percent (50%) on the amount of the difference in actual and disclosed export value i.e. $(6,00,00,000 - 5,00,00,000) \times 50\% = Tk. 50,00,000$.

Charge of Tax on Retained Earnings, Reserves, Surplus Etc. (U/s 22)

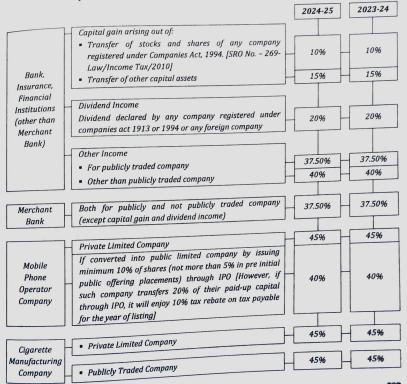
Notwithstanding anything contained in IT Act, 2023 or any other law for the time being in force, if in an income year, the total amount transferred to retained earnings or any fund, reserve or surplus, called by whatever name, by a company registered under Companies Act 1994 and listed to any stock exchange exceeds 70% (seventy per cent) of the net income after tax, tax shall be payable at the rate of 10% (ten per cent) on the total amount so transferred in that income year. Such tax cannot be adjusted with any other tax liability of the company.

Charge of Tax on Stock Dividend (Under Section 23)

Notwithstanding anything contained in IT Act, 2023 or any other law for the time being in force, if in an income year, the amount of stock dividend declared or distributed exceeds the amount of cash dividend declared or distributed or without declaration or distribution of any cash divided by a company registered under Companies Act 1994 and listed to any stock exchange, tax shall be payable at the rate of 10% (ten per cent) on the whole amount of stock dividend declared or distributed in that income year.

19.3 EXHIBIT

Corporate Tax Rates for the Assessment Years





	Income from Cigarette business by Cigarette Manufacturer other than company	45%	45%
	Co-operative Societies, registered under the Co-operative Societies Act, 2001	20%	15%
Others	Private Universities, Private medical college, Private dental college, Private engineering college or Private college engaged in imparting education on information technology	15%	15%
	Trust, Fund, Association of Persons and other taxable entity (if transactions relating to all receipts and income, every individual transaction exceeding Tk. 5 lacs and total annual transaction exceeding Tk. 36 lacs relating to expenses and investments are done other than bank transfer, tax rate on income will be 30%)	- 27.5% -	27.50%
	Non-Resident Foreigner (Other than Company or AOP)	30%	30%

19.10 CORPORATE SOCIAL RESPONSIBILITY

19.3

[SRO 229-AIN/IT/2011 DATED 04-07-2011 later updated by SRO 223-AIN/IT/2012 dated 27.06.2012 and SRO 186-AIN/IT/2014 dated 01.07.2014]

- ☐ Allowable limit: Maximum limit of allowable expenditure under the head
 Corporate Social Responsibility (CSR) is 20% of total income or Tk.
 12,00,00,000; whichever is lower. If actual expenditure exceeds this limit, such amount exceeding the limit cannot be used to compute tax rebate.
- ☐ Tax Rebate: Tax rebate will be computed @ 10% on such expenditure for CSR within the maximum limit.
- ☐ Conditions: To claim tax rebate against CSR, the corporate must fulfill the following conditions:
 - Must pay salaries and allowances to its worker regularly and must have waste treatment plant if it involves with the production of industrial goods;
 - Must pay income tax, VAT & duty timely and must repay institutional loans;
 - Can only donate money to the institutions recognized by the government for the purpose of CSR;
 - Must fulfill all rules as per Bangladesh Labor Act, 2006.

However, no company can charge such expenditure as a result of CSR in manufacturing or profit and loss account. Such company shall also submit sufficient documents with DCT to prove whether the expenditure claimed as CSR is really spent. The donation under CSR is to be done through proper banking channel.

- Areas of CSR: 10% rebate is allowed to the corporate organizations on their corporate social responsibility (CSR) related expenditures subject to the fuffillment of some prescribed conditions. The scope areas of the CSR to avail this rebate are as follows if any contribution is made to any organization engaged m. (SRO 229-AIN/IT/2011 dated 04.07.2011 later updated by SRO 223-AIN IT 2012 dated 27.06.2012 & SRO 186-AIN/IT/2014 dated 01.07.2014):
 - Donation through any government bodies to the people of areas affected by natural calamities like Cyclone, Earthquake, Hurricane, Flood etc.
 - Old home foundation and management,
 - Welfare of mentally or physically disable people,
 - Educational institution for street / homeless children,
 - Building houses for people living in slums,
 - Donation to social organizations involved in building public awareness about women-right and dowry system,
 - Donation to organizations providing welfare of orphan/homeless children,
 - Donation to organizations doing research about liberation war, campaign to uphold the spirit of liberation war and welfare of freedom fighters,
 - Improving sewerage facilities in Chittagong hill tract, alluvial land, river breakage areas.
 - Donation to organizations that treat of hare-lipped, cataract; cancer, leprosy.
 - Donation to organizations serving treatment to the Acid Victims,
- Specialized hospital established for serving the poor people free medical facilities and improving the quality e.g. Cancer, Lever, Kidney, Thalasemia, Eve and Cardio.
- Donation to public universities;
- Donation for promoting technical and vocational education for poor meritorious students through government approved educational institution;
- Donation to government or MPO included Private educational institution to establish lab and arrange training for IT, Computer and English education;
- Donation to the organizations engaged in promoting technical and vocational education for unskilled or semi-skilled workers for manpower export;
- Donation to organizations engaged in infrastructure development and training for national sports level.
- Donation to build or under constructed national level museums established in the memory of the liberation war.
- Donation to non-profitable entity established for treatment, increasing awareness and rehabilitation of HIV, AIDS or intoxication affected people.
- Donation to any national level institution set up in memory of Father of the Nation:
- Donation to the non-profitable private organizations established for the welfare of women and children saved from human trafficking.
- Donation to government approved fund established for any unique disaster/catastrophe or arranging any tournament or national event.

Example: X ltd, a public limited co, has presented the following information: total expenditure on CSR activities Tk. 1 crore, Net income as per audited income statement Tk. 10 crore, and the Corporate tax rate is 22.50%.

Total income for assessment purpose = Tk. (10 + 1) = Tk. 11 crore (CSR expenditure is inadmissible expense, so added back)
Gross Tax at regular rate* = (11 crore × 22.5%) = Tk. 2.475 crore Maximum limit of the CSR expenditure, on which rebate will be allowed: 20% of the total income of the company (11 × 20%) = Tk. 2.2 crore Or, Tk. twelve (12) crore, whichever is lower i.e. = Tk. 2.2 crore.

Since the company's actual CSR expenditure (Tk. 1 crore) is less than the maximum limit (Tk. 2.2. crore), it will get 10% rebate on CSR expenditure of Tk. 1 crore. Therefore 10% CSR rebate is (1 crore × 10%) = Tk. 10 lac. Net tax will be: (Gross tax -10% CSR rebate) = Tk. 2.475 crore -0.1 crore = Tk. 2.375 crore

19 11 TRANSFER PRICING

19.3

Transfer pricing addresses the impact of international transactions made by associated enterprises on disclosed net income and taxes as well. Income Tax Act 2023 covers transfer pricing related provisions in second chapter of Part 15 (U/s 233-239). The act requires that 'every person who has entered into an international transaction shall furnish, along with the return of income, a statement of international transactions in the form and manner as may be prescribed'. It also prescribes the mode of computing transfer prices in a specified method of 'arm's length price'. Arm's length price means a price in a transaction, the conditions (e.g., price, margin or profit split) which do not differ from the conditions that would have prevailed in a comparable uncontrolled transaction between independent entities carried out under comparable circumstances [U/s 233(1)]. The arm's length price in relation to an international transaction shall be determined by applying the most appropriate method(s) selected from the following methods based on the nature of transaction, the availability of reliable information, 'functions performed, assets employed, risks assumed or such other factors as may be prescribed, namely [U/s 235(1)]:

- other factors as may be prescribed, namely [U/s 233(1)].

 □ comparable uncontrolled price method;

 □ resale price method;

 □ cost plus method;

 □ profit split method;

 □ transactional net margin method;

 □ any other method where it can be demonstrated that-
 - none of the methods mentioned in (a) to (e) can be reasonably applied to determine the arm's length price for the international transaction; and
 - such other method yields a result consistent with the arm's length price.

^{*}Assuming that the tax liability is more than minimum tax applicable for a company

Comparable Uncontrolled Price Method

Under this method, the price charged or paid for property transferred or services provided in an uncontrolled transaction or a number of transactions of comparable provided in an unconstituted and the differential amount is calculated if the identified price circumstances is identified. The differential amount is calculated if the identified price differs from the price of the international transaction. The differential is then adjusted with the price of international transaction which is taken to be the arm's length price of the property transferred or services rendered in the international transaction.

Example: ABC plc charged Tk. 500,000 to XYZ plc, an associated enterprise, in an international transaction of transferring inventory. However, the price in comparable circumstances is identified to be Tk. 650,000. Thus, the differential amount is Tk. 150,000 which is adjusted with the price of international transaction. And the arm's length price will be Tk. 650,000 (Tk. 500,000 + Tk. 150,000).

Resale Price Method

Under this method, the price at which the transferred property or service could be resold to an independent enterprise is identified. Then, the price is reduced by a comparable normal gross margin. The price so arrived at is then adjusted for other unique costs (such as customs duty) associated with the purchase of the property or services. The price so arrived at is then adjusted to take into account the material differences (differences that could materially affect the gross margin in open market condition) such as functions performed, risks involved, assets employed, time gap between the original purchase and the resale and accounting practices between the international transactions and the comparable uncontrolled transactions, or between the enterprises undertaking such transactions. The adjusted price so computed shall be taken to be the arm's length price of the property purchased or the service obtained in the international transaction.

Example: ABC plc transferred inventory to XYZ plc, an associated enterprise, in an international transaction that may be resold to an independent enterprise for Tk. 500,000. A comparable gross margin rate is reached to be 15% of sale. Associated customs and supplementary duty was Tk. 80,000. No other situation related to the transaction is identified that could create material differences in gross margin in open market condition. Here, the arm's length price should be Tk. 345,000 (Tk. 500,000 - 15% of Tk. 500,000 - Tk. 80,000).

Cost Plus Method

Under this method, the direct and indirect costs incurred in the supply of property or the provisions of services are determined along with a comparable profit mark-up (based on comparable accounting policies). Appropriate adjustment is then made to the comparable profit mark-up adjusted to take into account the material differences (differences that could materially affect the mark-up in open market condition) such as functions performed, risks involved, assets employed, contractual terms and market transactions, or between the enterprises undertaking such transactions. The adjusted profit mark-up is then added to the cost and the sum so arrived at is taken to be the arm's length price of the property transferred or services provided in the international

transaction.

Example: ABC plc transferred inventory to XYZ plc, an associated enterprise, in an international transaction. The direct and indirect cost incurred in the supply of inventory is identified to be Tk. 300,000. Comparable mark-up (profit on cost) is 20%. However, due to foreign currency fluctuation and risk associated with the transaction, the mark-up should go up by 8%. Thus the arm's length price should be Tk. 384,000 [Tk. $300,000 \times 28\% (20\% + 8\%)$].

Profit Split Method

Under this method, the combined profit, arising from international transaction or transactions and divisible among the associated enterprises, is identified. The combined profit is then divided among the associated enterprises by using the following approaches:

- ☐ Each of the associated enterprises is allocated a basic return based on the basic functions (manufacturing, distribution, service provision etc.) each enterprise performed and determined by reference to market returns earned by independent enterprise in similar transaction. This basic return does not usually account for the return that would be generated by any unique and valuable assets possessed by the associated enterprises. The residual profit (which may be attributable to such unique assets), calculated by deducting the sum of basic returns allocated to associated enterprises from the combined profit, is then apportioned to the associated enterprise based on their relative contribution and taking into consideration how independent enterprises in similar circumstances would have divided such residual profit; or
- Basic return is not allocated to the associated enterprises; the combined profit is divided among the associated enterprises based on the relative contribution of each the associated enterprises to that profit.

The profit thus allocated to the assessee is taken to be the arm's length price.

Transactional Net Margin Method

Under this method, the net profit margin earned by the associated enterprise from the international transaction with the associated enterprise is computed having regard to an appropriate base such as costs, sales or assets.

The net profit margin earned by an independent enterprise or enterprises from comparable uncontrolled transaction, or a number of such transactions is computed having regard to the same base. Appropriate adjustment is then made to the net profit

Bangladesh Income Tax - Theory and Practice

margin to take into account the differences that can materially affect the net profit margin to take into account the international transactions and the comparable uncontrolled margin, occurrent the enterprises undertaking such transactions. The adjusted transactions, or between the enterprises undertaking such transactions. net profit margin is then applied to the base to arrive at the arm's length price in relation to the international transaction.

The most appropriate method for determining the arm's length price of an international transaction shall be the method that provides the most reliable measure of an arm's length price in relation to the international transaction. In this regard, the following factors shall be considered,

- \square the nature and class of the transaction, and of enterprises entering into the
- ☐ the comparability factors (industry, functions, risks, contractual terms, market level) that are materially significant in determining the price or margin in relation to the transaction:
- $\hfill\Box$ the quality (availability, coverage, validity and reliability) of relevant data;
- the reliability of assumptions in the method;
- the sensitivity of results in the deficiency in data and assumptions;
- $\hfill\square$ the extent to which the reliable and accurate adjustments can be made to eliminate the differences, if any, between the international transaction and the comparable uncontrolled transaction or between the enterprises entering into such transactions.

19.12 TAX COMPLIANCES

CLO 19.7

Different compliance issues are presented in exhibit 19.4. The concerns are mainly focusing on the transactional and reporting compliance. Consequence of failure in certain compliance and tax calendar for company are also covered in this segment.

EXHIBIT

19.4

Tax Compliance

Transactional and Reporting Compliances

Nature of Transactions	Reporting		
Confirmation of making TDS from payment at applicable cases (U/s- 141)	Submission of TDS return within 15 days of following month (u/s 177 of ITA 2023)		
Deposit of TDS to government treasury on timely manner (U/s- 146)	Submission of TDS return within 15 days of following month (u/s 177 of ITA 2023)		
Other transactional compliances	Annual return related to employees' personal tax filing (U/s 145) Filing of Annual Income Tax Return (U/s 166)		

Compliance issues for Salary and Office Rent

Figure to deduct tax at source @ 5% from rental value

Rent must pay through a crossed check or bank transfer

Transactional Compliances (Salary) Consequence of Non-compliance Employees must have 12-digit ETIN: Salary expenses shall be disallowed, and Salary must be paid through a bank transfer/cross check; Tax will be imposed at specified rate on disallowed amount If salary is taxable, TDS must be made at the time of salary transfer Transactional Compliances (Office Rent)

Consequence of Non - Compliance

Non-furnishing of information under section 200

Failure to pay tax

on the basis of return

Penalty & Prosecution

Rent expenses shall be disallowed, and

Tax will be imposed at specified rate on

disallowed amount

10% of last assessed tax or Tk. 1,000; whichever is Non-filing of tax return (under sections 166, higher and a further penalty of Tk. 50 for every day 172, 191, 193 or 212) during which the default continues.

10% of last assessed tax or Tk. 5,000; whichever is Non-submission of higher and a further penalty of Tk. 1,000 for every withholding tax return month during which the default continues.

Tk. 5,000; a further penalty of Tk. 1,000 for every Non-furnishing of withholding income tax certificate under section 145 month during which the default continues.

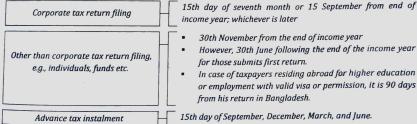
> Tk. 50,000; a further penalty of Tk. 500 for every day during which the default continues.

A person, who fails to pay tax under section 173 may face a penalty at the rate of 25% on the total tax payable or on the short amount of tax payment.

15th of the following month with 15 days approved extension.

Tax Calendar for Company

Withholding tax return

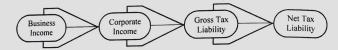


Other Transactional Compliances

- ☐ Tax deducted at source (TDS) from applicable payment must deduct and credited to government treasury duly;
- ☐ Any perquisite related to an employee must not exceed Taka 10,00,000 in a year:
- ☐ Salary should be paid through bank transfer/cross check;
- ☐ Any commission and discount shall not be paid to any shareholder director;
- ☐ Rent of any property must not pay otherwise than by a crossed check or bank transfer.

19.13 ASSESSMENT PROCEDURE

The company assessment (figured below) starts with calculation of business profit considering the same provisions as used in case of computing income from business or profession. Such income is adjusted for the assessee being a company resulting taxable income. Then tax liability is calculated after all adjustments in this regard.



- Finally, gross tax liability is reduced due to tax rebate or other deductions to calculate net tax liability.
- Gross tax liability is calculated with the respective tax rate applying on the taxable income as computed in step 2.
- Total income of the company is calculated by adding income from other areas with business income.
- Disclosed income from the business is revised in line with the sections 28, 29 and 30 of IT Ordinance, 1984.

POINTERS

The following three sections are relevant to calculate taxable income of a company:

- ☐ Scope of Income from Business [Section 45, See Chapter 8 (8.3)]
- ☐ Allowable deductions/admissible expenses [Section 49-53, See Chapter 8 (8.4)]
- ☐ Inadmissible expenses [Section 55, See Chapter 8 (8.10)]

EXHIBIT

19.5

Specimen Format for Company Assessment

1.	Income from Business or Profession: Net Profit as per Profit and Loss Account Less: Income considered separately Add: Expenses considered separately	Tk. XX XX XX
	Add: Special sources of income from business	XX
	Add: Inadmissible expenses	XX
	Less: Admissible expenses	XX
	Income from business before charging entertainment expense	XX
	Less: Entertainment expense	XX
	Income from business after charging entertainment expense	XX
	Less: Special business income	XX
2.	Total Taxable Income from business	XX
3.	Calculation of Tax Liability	
	 On total taxable income at flat rate Tk. XX 	
	■ On dividend income @ 20% XX	
	• On capital gain @ 15% XX	XX
Les.	s: Tax Rebate	XX
Net	Tax Liability	XX

SOLVED PRACTICAL CASES (SPC)

ASSESSMENT: GENERAL CASES



TAXABLE INCOME, CAPITAL GAIN, CSR, TAX LIABILITY

The income statement for the year ended June 30, 2024, of Jonesville Inc. is given below. Determine the taxable income of the company and net tax liability thereof.

Salaries	Tk. 450,000	Gross Profit	Tk. 1,535,000
Office Rent	110,000	Dividend	60,000
Commission	50,000	Share Transfer Fee	40,000
Advertisements	120,000	Unclaimed Dividend	35,000
Donation	80,000	Gain on Sale of Furniture	25,000
Interest on Loan	60,000		
Bad Debt	35,000		
Trademark	25,000		
Fine and Penalty	30,000		
Audit Fee	60,000		
Legal Expenses	40,000		
Loss on Embezzlement	30,000		
Income Tax	25,000		

CLO

19.3

19.6

Share Discount	70,000
Dividend Equalization Fund	40,000
Depreciation	70,000
Net Profit	400,000
-	1,695,000

1,695,000

725,000

Assume that Jonesville Inc. is a public limited company and the salary expenses includes taka 20,000 paid to an employee as leave allowance and taka 25,000 as contribution to recognized provident fund; legal expenses includes taka 10,000 paid to the finders for purchasing land; tax depreciation amounts to taka 60,000; donation includes taka 30,000 paid as subscription to Dhaka Club; company has declared stock dividend of taka 1,50,000 during the year; the advertisement expenses were made for 6 years; the company donated Tk. 50,000 to a national level institution engaged in preserving the memory of liberation war and during the year, the company sold office furniture for taka 80,000. The initial cost of the furniture sold was 60,000 with written down value of taka 55,000.

Assessee: Jonesville Inc.	
Assessment Year: 2024 – 2025	Status: Resident Company
1 Ear: 2024 – 2025	Income Year: 2023 – 2024
Income from Paris	2023 - 2024

			•• 2023 ~ 2024
Incon	ne from Business or Profession:		2024
Net Pr	rofit as per Profit and Loss Account		
Add:	Inadmissible Expenses		Tk. 400,000
	Advertisements (5/6th)		
	Donation	Tk. 100,000	
	Bad Debt	80,000	
	Trademark	35,000	
	Fine and Penalty	25,000	
	Legal Expenses	30,000	1 1 30
	Loss on Embezzlement	40,000	- k
	Income Tax	30,000	7.
	Share Discount	25,000	The same of
	Dividend Equalization Fund	70,000	
	Depreciation -	40,000	
ess:		70,000	545,000
Less:	Expenses Admissible but not Shown: Depreciation		(60,000)
2000.	Income received from Non-Business Heads Dividend		(00,000)
		60,000	
Add:	Gain on sale of Asset	25,000	(85,000)
	Revenue profit on sale of asset		
axabic	e income from Business		5,000
NOU-BI	siness Income: Dividend	60.000	805,000
	Capital Gain on sale of Asset	60,000	
otal Ir	ncome	20,000	80,000

Computation of Tax Liability	Tig Assessn	nent of Company
On total income except dividend and capital		
On dividend income	Tk. 805,000 @ 20%	Tl. 161 000
On capital gain	60,000 @ 20%	Tk. 161,000
On stock dividend	20,000 @ 15%	12,000
Gross Tax Liability	150,000 @ 10%	3,000
Less: Tax rebate of CSR Activities	, 10%	15,000
Net Tax Liability	50,000 @ 10%	191,000
Net Tax Elaborary	50,000 @ 10%	5,000
		Tk 186 000

Notes: (1) Gain on Sale of Furniture is taka 25,000 (taka 80,000 – taka 55,000). Capital gain amounts to taka 20,000 (taka 80,000 – taka 60,000) and revenue gain amounts to taka 5,000 (taka 25,000 – taka and therefore deferred. (3) Legal expenses and donations are not allowed. (4) As the company has 10%. (5) Leave allowance and contribution to RPF is allowable deductions. (6) It is not possible to than minimum tax due to lack of information. It is assumed that the tax liability computed is more institution engaged in preserving the memory of the liberation war which falls within the area of or Tk. 12,00,00,000; which one is lower).



ENTERTAINMENT EXPENSE, TAXABLE INCOME AND TAX LIABILITY

From the following Profit and Loss Account for the year ended 30th June 2024 of X Ltd, determine total income and tax liability.

Directors Remuneration	46,000	Gross Profit	375,000
Salaries and Wages	100,052	Dividend Income	30,000
Contribution to Provident Fund	8,800	Share Premium	30,000
Rent and Taxes	24,500	Sundry Income	13,000
Repairs and Operating Expenses	27,300	oundry moonie	13,000
Electricity	17,500		
Insurance	8,000		
Legal Expenses	14,500		
Audit Fees	5,800		
Printing, Stationery & Postage	14,600		
Compensation for termination of a Staff	10,000		
Purchase of Typewriter	5,948		
Advertisement	14,200		
Entertainment	7,500		
Provision for Bad Debt	4,400		
Depreciation	46,600		
Net Profit	92,300		
,	448,000		440.00

Other Information. Rent and Taxes included VAT of taka 4,200 which was paid for importing a machine and it was not used during the relevant year; Legal expenses included a sum of taka 10,000 spent for income tax appeal; The company is a trading company; Provident fund is recognized by the income tax authority; Bad debt written off previously was recovered during the year taka 2,000; Allowable depreciation taka 58,400; Repairs and operating expenses included taka 6,000 spent for the installation of a second hand air conditioner in the flat of MD; Entertainment expenses included a sum of taka 2,000 for which no clear explanation was available; and the company is not registered in the stock exchange.

Asses	see: X Ltd.		Status: Res	ident Company
Asses	sment Year: 2024 – 2025		Income Yea	r: 2023 - 2024
Incom	e from Business or Profession:			
Net Pr	ofit as per Profit and Loss Account			Tk. 92,300
Add:	Inadmissible Expenses			,- 50
	Rent & Taxes (to the extent of VAT)		Tk. 4,200	
	Purchase of Typewriter		5,948	
	Provision for Bad Debt		4,400	
	Repairs and Operating Expenses		6,000	
	Entertainment Expenses - unexplained		2,000	
	Entertainment Expenses - remaining		5,500	
	Depreciation		46,600	74,648
Less:	Expenses Admissible but not Shown: Depreciation			(58,400)
Add:	Income not Credited to P/L Account: Bad Debt Recovered			2,000
				110,548
.ess:	Income received from Non-Business Heads			1103046
	Dividend		30,000	
	Share Premium		30,000	60,000
ncome	from business before entertainment expense	:		50,548
ess: En	tertainment expense			2,022
come f	rom business after entertainment expense			
dd: No	n-Business Income: Dividend			48,526
otal Inc				30,000
Omnuta	tion of TI' tu			78,526
av on to	tion of Tax Liability			
ax on di	tal income excluding dividend (27.50% of Tk. 48,526)			Tk. 13,345
an on u	vidend (20% of taka 30,000) x Liability			6,000
033 14	Liability			19,345
inimu	Tana Ist			17,575

Minimum Tax: It is not possible to compute minimum tax due to lack of information. It is assumed that the tax liability computed is more than minimum tax.

Note: Determination of admissible entertainment expense: net profit before charging entertainment expenses is Tk. 50,548. Thus, admissible entertainment allowance: (4% of taka 50,548) Tk. 2,022.



TAXABLE INCOME, NON-BUSINESS INCOME, GAIN ON SALE OF ASSETS

The Income Statement of Fareast Enterprise Limited for the year ended 30th June 2024 follows. Determine the Taxable Income and tax should be paid by the Company.

Sales	onourd be paid	
Less:Cost of Goods Sold	Tk. 2,00,00,000	
Gross Profit	27,00,000	
Less: Selling and Administrative Expenses		Tk. 1,73,00,000
Printing and Stationary		
Office Expenses	3,00,000	
Salaries	15,00,000	
Travelling Expenses	25,40,000	
Audit fees	6,60,000	
Legal Expenses for Income Tax Return	5,00,000	
Repairs for residential bases of the	2,40,000	
Repairs for residential houses of Employees	3,30,000	
Compensation to the families of the staff Robbery of Cash	3,10,000	
	4,60,000	
Bad Debt provision Commission	5,00,000	
	2,60,000	
Renewal Charges for Trademark Registration	2,00,000	
Bonus to Staff - Cash	8,00,000	
Bonus to Staff - Bonus Share	6,00,000	
Managing Agent's Commission	10,00,000	1,02,00,000
		71,00,000
Add: Profit on Reissue of shares	1,20,000	
Profit on Sale of Machineries	4,80,000	
Share Premium	3,00,000	
Interest on Tax - Exempt Govt. Securities	3,00,000	
Sundry Income	9,00,000	
		21,00,000
let Profit		92,00,000
dditional Information:		

Additional Information:

- ☐ Tax has not been deducted on printing and stationary bills.
- ☐ Salaries included Tk. 4,00,000 paid to the Retired Manager for house rent and Tk. 6,00,000 contribution to the Pension Fund.
- ☐ Compensation to the family of a staff included Tk. 1,00,000 paid for a peon who was injured in a road accident while bringing breakfast for the manager and Tk. 2,10,000 paid for the termination of a certain employee.
- ☐ Bad Debt Tk. 80,000 and Tk. 60,000 provision for the last year were written off.
- ☐ Commission paid to a certain Staff Tk. 3,000.
- The sold machine was purchased six years ago and its book value was 1k. 2,00,000 but its book value as per Income Tax Rule was zero. The cost price of the machine was Tk. 10,00,000.

Bangl	ashesh Income Tax - Theory and Control	Income Ve	ar: 2023 - 2024
	see: Fareust Enterprise Limited Assessment Year: 2024 - 2025	(income rea	Tk. 9,200,000
ASSES	rofit as per Profit and Loss Account		7,200,000
	Inadmissible expenses	Tk. 300,000	
Add	Participant Surponary Expenses	560,000	
	Bad Debt Prevision (5,00,000 + 60,000)	460,000	1,320,000
	Robbers of Cash		
Less	Non-business income	120,000	
2,00.00	Profit on Reissue of Shares	480,000	
	Profit on Sale of machine	300,000	(900,000)
	Share Premium		(80,000)
Less	Admissible expenses. Bad Debt Written off		680,000
Add	Business Income on sale of Machineries		10,220,000
	Income from Business		-,-=-,000
Total	Income		10,220,000
	Income from Business		
	Interest on Tax-free Govt Security (Fully Exempted)		10,220,000
Total	Incomé		

Computation of Tax Liability

Tax on Total Income Tk. 10,220,000 @ 27.50% Tk. 2,810,500.

Notes: (1) Tax has not been deducted at source and therefore it is considered as inadmissible. (2) House Rent paid to the Retired Manager and Contribution to the Pension Fund are admissible expenses for the company (3) Compensation paid for the injury of a peon and termination of a certain employee is admissible expense (4) Commission paid to a certain staff is considered as business expense and as such at is admissible (5) All other expenses charged as administrative and selling expenses have been assumed as business expenses. (6) Robbery of cash has been assumed as done by the stranger during the office period and as such it is inadmissible. (7) Profit on Sale of Machineries has been considered as business profit. (8) Capital Gain on Sale of Machine:

Sule Value (2.00.000 - 4.80,000)	680,000
Original Cost	1,000,000
Capital Gain	Nil
Revenue Gain Business Income from Sale of Machine:	
Sale Value	680,000
Book Value	Nil
Total gain (This is also the Business Income or Revenue Gain as capital gain is zero)	680,000



OVERSEAS TRADING LIABILITY, INADMISSIBLE CONTRIBUTION

The Income Statement for the year ended 30th June 2024 of SB Tel Limited shows a net profit of Tk 461,500. Compute Income and Tax Liability of SB Tel Limited for the Assessment Year 2024-25. Other Information of profit & tax are given below:

 During the year the company sold some of its supplies that remained unused for a long time in the storeroom. The company sold the supplies for a loss of Tk.

87,500 as the expiry period is very close and charged such loss against current years' profit.
☐ The company has a trading liability with one overseas company to the tune of Tk. 20,000 which has been totally waived by the overseas company under special agreement during the year.
☐ Rent and Taxes amounting to Tk, 122,500. This expense included VAT of Tk. 21,000 which was paid for importing a machine and it was not used during the relevant year.
☐ Provision of Tk. 22,000 for bad debt was charged in the profit and loss account.
☐ Legal expenses included a sum of Tk. 50,000 spent for income tax appeal.
☐ The company contributed Tk. 44,000 to provident fund which has been
recognized by the income tax authority.
☐ The company recovered Tk. 10,000 from bad debt that was written off earlier and was allowed. The amount so recovered was credited to sundry debtors account.
☐ Depreciation charged in the accounts is Tk. 233,000. Allowable depreciation is Tk. 292,000.
Repairs and operating expenses amounts to Tk. 136,500 which includes Tk. 30,000 spent for the installation of a second hand air conditioner in the flat of MD.
☐ Sum of Tk. 37,500 was paid to an institution for scientific research which is not approved by NBR.
☐ The company purchased a computer for Tk. 29,740 which was charged as an expense in the profit and loss account.
□ Net profit includes dividend income of Tk. 150,000 and share premium of Tk. 150,000.
(CMA Adapted)

Assess	ee: SB Tel Limited Assessment Year: 2024 – 2025	Income Yea	r: 2023 – 2024
Incom	e from Business		
Net inc	come as per Income Statement		Tk. 461,500
Add:	Inadmissible expenses		
	Rent and Taxes (to the extent of VAT)	Tk. 21,000	
1	Computer	29,740	
	Provision for Bad Debt	22,000	
	Repairs and Operating Expenses	30,000	
	Amount paid for conducting scientific research	37,500	
	Depreciation	233,000	373,240
Less:	Expenses Admissible but not shown: Depreciation		(292,000)
Add:	Income not credited to Income Statement		
	Waiver of a trading liability	20,000	
	Bad Debt Recovered	10,000	30,000
Less:	Income received from Non-Business Head		
43.0	Dividend	150,000	

Share Premium	150,000	(300,000)
Taxable income from Business		272,740
Non-business income: Dividend income		150,000
Total Income		Tk. 422,740
		=2,740

Computation of Tay Liability

Computation of Tax Liability			
On total income except dividend	Tk, 272,740	@ 27.50%	Tk. 75,004
On dividend income	Tk. 150,000	@ 20%	
Total Tax			Tk. 105,004
			20,002

Notes: (1) Loss on sale of supplies is an allowable deduction as such supplies does not fall under capital asset (2) As the company received waiver of a trading liability during the year, it should be shown as deemed income of the year. (3) Sum of taka 37,500 paid to an institution for scientific research which is not approved by NBR.



INTRA GROUP EXPENSES, PERQUISITES, TECHNICAL KNOW-HOW FEE Compute tax liability of Bayer Cropscience, a Multinational Company, doing

business in Bangladesh for last 10 years. The Company filed return of income for the assessment year 2024-2025 showing income of Tk. 46,000,000. Examination of the audited statement of accounts filed with the return of income revealed the following ☐ During the year the company received dividend amounting to Tk. 220,000 against the share of a private limited company it purchased. The dividend is included in net profit. Tax was not deducted at source. ☐ Salary includes Tk. 840,000 paid to employees without charging TDS. Annual perquisites enjoyed by MD and CFO amounts to Tk. 2,050,000. ☐ The company sold a scientific apparatus for Tk. 600,000 which was allowed earlier as expenditure against calculation of profit. The company has a trading liability with one overseas company to the tune of Tk. 180,000 which has been totally waived by the overseas company under special agreement during the year. ☐ During the year the company claimed the following expenses: Head Office expenses (paid to Group HQ, Hong Kong) Tk. 30,00,000 Management expenses (Paid to Thailand PQH) 19,00,000 ☐ Royalty paid Tk. 1,300,000. During the year the company also paid the following expenses: Fees for technical services Tk. 16,50,000 Technical know-how fee 8.75,000 ☐ Annual depreciation charged to the account is taka 2,350,000 but tax depreciation amounts to taka 2,100,000 ☐ The company recovered Tk. 120,000 from bad debt that was written off earlier and allowed as deduction.

☐ The company showed expenditure on foreign travels for holidaying and recreation of an employee and his dependents, and the amount spent was Tk.

Chapter - 19 Assessment of Company

400,000. The basic sales	Chapter - 19 Assessment of Company
Offener than one . That employee	vas Tk. 120,000. The travel was not
A line of Tk 80 000	and to the
was Tk. 1,250,000 and the written down value of the tension of the	370,000. Original cost of the vehicle
Tk. 10,000 in respect	ride was 1k. 825,000. This has not

Tk. 10,000 in respect of travelling expenses is not supported by legal vouchers. ☐ Repairs and operating expenses included taka 25,000 spent for the installation of (CMA Adapted)

Asses	ssee: Bayer Cropscience Limited Assess	nent Year: 2024 -	2025	
	ne from Business	- rear. 2024 -	2025 Income	Year: 2023 - 2024
Net P	rofit as per Profit and Loss Account			
Add:	Inadmissible expenses			Tk. 46,000,000
	Salary (section 55)			
	Head office expense	Th. 2 000	Tk. 330,000	
	Intra group expenses	Tk. 3,000,000		
		1,900,000		
	Less: Allowable (46,000,000 × 10%)	4,900,000 4,600,000		
	Perquisites to MD and CFO	2,050,000	300,000	
	Less: Allowable (1,000,000 × 2)	2,000,000		
	Fine for violation of customs law		50,000	
	Donation to non-recognized school		80,000	
	Royalty paid	1,300,000	15,000	
	Fees for technical services	1,650,000		
	Technical know-how fee	875,000		
		3,825,000		
r 1	Less: Allowable (46,000,000 × 10%)	4,600,000	0	
	Legal expenses		10,000	
	Depreciation		2,350,000	
	Repairs and Operating expenses		25,000	3,160,000
Add:	Not credited to P&L Account			2,100,000
	Recovery of bad debt which was written off earlier		120,000	
	Gain on sale of Motor Vehicle		45,000	
	Waver of trading liability		180,000	345,000
Less:	Expenses Admissible but not Shown: Dep	reciation		(2,100,000
Add:	Sale of scientific apparatus			600,000
Less:	Income received from Non-Business Head	l: Dividend		(220,000
	Income from Business			47,785,000
Add:	Non-business income: Dividend income			220,000
Fotal	Income			48,005,000

Computation of Tax Liability	tarante Ta	x Rate	Amount of Tax
Computation of Tax	Gross Income 7a.	.50%	Tk. 13 140
Particulars	17 785,000		Tk. 13,140,87
Total income except dividend	220,000	0%	44,00
Dividend Income			13,184,87
Total Tax			



SALARY, GRATUITY, MEETING FEES, TRAVEL EXPENSE, SIMPLE INTEREST

The following adjusted accounts appeared in the records of ABC Ltd. for the year ended December 31, 2023. Compute the total income and the total income tax of ended December 31, 2023. Compute the total income and the total income tax laws ABC Ltd. In doing so, any non-compliance of the relevant provisions of the tax laws (income tax as well as VAT) by the company are to be considered strictly following the legal provisions for such non-compliances. If considered necessary, you may make assumptions in the light of the relevant tax provisions.

(CMA Adapted)

Revenues and Gains: Net sales Interest Gain on sale of shares	126,500,000 1,000,000 2,500,000 1,30,000,000	(1) (2)
Costs and Expenses:	(5 200 000	
Cost of goods sold	65,300,000	
Salaries and wages	26,000,000	(3)
Security services	300,000	(4)
Audit and taxation services	500,000	' /
Office rent	600,000	
Donations	1,800,000	(5)
Board meeting attendance fee	300,000	(6)
Other expenses	3,000,000	(7)
Depreciation	8,000,000	(8)
Corporate income tax	4,500,000	(9)
	110,300,000	
Net profit	19,700,000	
Dividends paid	9,000,000	(10)

Additional Information

- Interest revenue comprises interest on government bonds issued in 2015 and purchased by ABC Ltd. in 2018.
- (2) Gain on sale of shares arose from the shares of a company listed with DSE and CSE: Bought in 2015 cost Tk. 12 lac and sold in 2023 for Tk. 37 lac.
- (3) Salaries and wages include inter alia salary of Finance Manager Tk. 6,00,000 (consolidated) paid in cash (not by cheque or bank transfer), gratuity (unapproved) provision of Tk. 15,00,000 and gratuity payment of Tk. 10,00,000.

- (4) Security services include payments to a private security company. No VAT was deducted at source from such payments.
- (5) Donations were all paid in 2023 to ICMAB, specially designated for the purchase of library books, computers, and training materials.
- (6) No income tax and VAT was deducted at source from Board meeting attendance fee paid to 10 (ten) directors.
- (7) Other expenses include inter alia:
 - 1. Entertainment expenses of Tk. 5,00,000 spent on MD's birthday party; and
 - 2. Four foreign travels of MD, each costing Tk. 2,00,000. All foreign trips were for business purposes.
- (8) ABC Ltd. has always used written down value depreciation and same depreciation rates for both accounts and tax purposes.
- (9) Corporate income tax is the amount estimated before preparation of the tax return. 60% of the estimated amount of tax has been paid as advance tax during the year 2022.
- (10) Dividend has been paid at the rate of 25%.

The company has a capital loss of Tk. 10,00,000 carried forward from the assessment year 2021-2022. ABC Ltd. is a publicly traded company.

Asses	see: ABC Ltd. Assessment Year: 2024 – 2025	Income Year ended on I	December 2023
	rofit as per accounts		Tk. 19,700,000
less:	Income considered separately		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
	(a) Interest	Tk. 1,000,000	
	(b) Capital gain on sale of shares of listed companies	2,500,000	(3,500,000)
Add:	Inadmissible Expenses		(2,200,000)
	Salary and wages		
	(a) Salary of finance Manager Tk. 6,00,000 disallowed	as per section 55 being	
	paid in cash not by crossed cheque of bank transfer		600,000
	(b) No gratuity provision, i.e., Tk. 15,00,000, is allowable	le	1,500,000
	(c) Gratuity Tk. 10,00,000 disallowed being not Approx	ed by the NRR	1,000,000
	Security service	od by the MBR	1,000,000
	Disallowed fully as VAT was not deducted at source		300,000
	Donation.		500,000
	Disallowed fully as it is not allowable business expendit	ure Moreover donation	-
	was made to ICMAB which is not approved Institution	of NRR So, it will not	
	be considered for CSR also.	or ADR. 30, it will not	100.00
	Board Meeting Attendance Fee		180,00
	TDS not applicable but VDS is applicable on Board mee	tings attendance for A	
	VAT was not deducted at source from this expense, it is	bus disallowed	
	Other Expenses	ilus disallowed.	300,00
	(a) Entertainment expense of Tk. 5,00,000 spent on MD	's hirthday north,!	
	is personal expenditure, and no such expense is allow	vable	500,00

Bangladesh Income Tax - Theory and Practice

(b) Foreign travel for business purpose Tk. 8.00,000. It is allowable (b) Foreign travel for business purpose Tk. 8.00,000 > 0.5% (c) 5% of the disclosed turnover which is Tk. 126,500,000 > 0.5%	u/s 55 up to	
(b) Foreign travel for business purpose Tk. 8.00.000. It is another to 0.5% of the disclosed turnover which is Tk. 126,500,000 > 0.5		167,500
6,32,500. Corporate Income Tax Tax is not allowable expenditure. So disallowed income tax fully		4,500,000 25,247,500 1,000,000
Income for Business Income from Financial Assets	,500,000	7,000,000
Capital Gain from sales of Shares of Listed Co.	0,00,00,0	1,500,000 Tk. 27,747,500

Computation of Tax Liability

Total Income

Tax on income other than Capital Gain @ 20%	Tk. 5,249,500
Tk. 2,77,47,500 – 15,00,000 = 2,62,47,500 × 20%	150,000
Tax on Capital Gain @ 10% - Tk.15,00,000 × 10%	Tk. 5,399,500
•	142 TL 52 00 500 ×

Add: Simple Interest for non-payment of adequate advance tax u/s 162: Tk. 53,99,500 \times 75% = Tk. 4,049,625 less: advance tax paid (45.00,000 \times 60%) Tk. 2,700,000 = Tk. 1,349,625 @ 10% for 2 years, assuming it was not paid u/s 64 for 2 years. 269,925 5,129,575

(1st April 2021 - 31st March 2023) (Assumed date of assessment is 31.03.23) Less: Advanced Tax paid (60% of Tk. 45,00,000) Net Tax Payable

Test of minimum tax: 0.60% of Gross receipt of Tk. 13,00,00,000 = 780,000 which is lower than tax at normal tax rate. So net tax playable will be Tk. 2,429,575.

INCOME FROM HOUSE PROPERTY, CAPITAL GAIN, INADMISSIBLE EXPENSES

Paradise Corporation Limited is a private company, engaged in the business of ceramic and leather products. For the year ended 30.06.2024, net profit of the company is reported as Tk. 35,000,000 after giving effect of the following items. Compute total income of Paradise Corporation Limited for Assessment Year 2024-(CMA Adapted) 2025.

	License	fee Tk.	1,200,000 incurred	for obtaining	six-year	franchisee.
--	---------	---------	--------------------	---------------	----------	-------------

Rent Tk. 500,000 received from letting out factory premises.	Municipal tax in
respect of the said factory premises amounts to Tk. 20,000.	

promises unlounts to TR. 20,000.
Tk. 2,000,000 and 250,000 being amounts waived by Agrani Bank Limited out of
principal and arrear interest respectively. The loan was taken five years ago.

Dividend of Tk. 500,000 from Popular Pharmaceuticals Limited on 50,000 equity
shares of Tk. 10 each purchased at Tk. 120 per share on 03 November 2021.
Dividend declared is 100%, the record date being 23 12 2022. Shares were sold

on 06.04.2022 at Tk. 110 per share. Loss of Tk. 500,000 has been debited to P&L

 $\hfill\Box$ Depreciation of tangible fixed assets Tk. 200,000. However, depreciation on tangible fixed assets as per tax rules is Tk. 350,000.

☐ Tk. 250,000 compensation paid to UK supplier for cancellation of machinery import contract from UK.

Assessee: Paradise Corporation Limited	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
Income from Business		
Profit as per Profit and Loss Account		Tk. 35,000,000
Less: Income for consideration at separate	head:	
Rental income		500,000
Waiver of interest by bank		250,000 (750,000)
Add: Inadmissible expenses:	-	-
License fee for franchisee	1,	200,000
Depreciation		200,000
Compensation Paid to UK Suppliers		250,000
Provision for Deferred Taxes		150,000 1,800,000
Less: Admissible expenses:		
Amortization on License fees		200,000
Depreciation		350,000 (550,000)
Income from Business		35,500,000
Income from Rent		
Annual value from premises retail		500,000
less: Repair and Maintenance (30% of Tk.	. 500,000) (1	50,000)
Municipal tax	(20,000) 330,000
ncome from Financial Assets		
Dividend from Popular Pharmaceuticals Lir	nited	500,000
Total Income excluding capital gain		36,330,000
Capital Gain		
Proceeds from Sale of Share (50,000 × 110)		500,000
		000,000
less: Cost of Acquisition (50,000 × 120)	0.0	100.000



CAPITAL GAIN, INADMISSIBLE EXPENSES, BAD DEBT RECOVERED

For the year ended on June 30, 2024, Cassiopeia Limited reports net profit of Th. 11,932,000 with a turnover of Tk. 60,000,000. A scrutiny of its books of accounts reveals the following facts. Compute total income and tax liability of the company for the concerned tax year.

2,700,000

2,429,575

help take in the economical The configurate and the suppressor his a heat of the FRE SIGN on the entire, bearing in own speak may speakfully set y over adverted with O The company to agree expenditure or barrogs replace to business property to HOW I SHIP!

266 666 O The common sport of the till by enderholding a broughts for the beauty, a and the contract of the procedure medical normalist to supple out to the contract of the contr

D. There was an acculate on the factor's building over-fines or the building an disableward and the companies constraint a companies their the constraints vigname. differentiated to the state that "The component acts," the source much much as allegan. of The No Colo. "So Mile Sciences was provided to a battle with of The AMB, AMB, and More effrontables, absyrves agricine chapeypric to these approximates for "\$... "11 store

O & made of the 12th other office that place or fine decision and althoughton provinced that is a creat to fine were

The company of a parents manufactor and the sometimes as a second of the company of the of date. No is a common way from Names of a cold is 76. In 1985. No cold grayman the terr ray and the of the man expense.

O The company of the state of the application to the confinement associated by the PROSES

C) The company most expressions to a "No fill to the guardinated in a name of the FS NO NE A activishes vigotionistics of the diguigations in the collection the configure reporter. A. N. OR to pass at rate of engagement in the article of the ments and price this routh

7 TOP PARTIES

America	B. Annance of the Management of the Management of the Company of t	Bennetter	t sape	n ith	
Non Pro-	du griph haven Nadoune		196	#1.985.PF	
AAG	Semplifier Table 4 to democrat				
	Branch in a secret with	15 125 000		1	
	Salaren in Purchasi Matager	4 \$5,000			
	Baghan we are with a growing	40.000		E D	

	Chapter	100	Possilia returni P	The states	Monthlib
Contracts in generalized and grade companies.		1000	controls controls		
Special Company			(1994)	1.789	SERVE
page on a form to reaction			4005 1005	eg. 201	gar.
Come and a control of alternative analysis and alternative analysis of the control of the contro			sillen sillen	ALC:	100
Control of the Control of Control					
September - The train of September 18 and 18					100
	_			ng right	1000
Consequent grant	All applicable		(Right		100

- the contract to treated to free-matth to finally free-matter requires.
- g graphics consequences for the Williamsgering operations in the 18 and belowing to appear of agent Pill. 1888-1888
- 5 Contrar of their tensor Property to 1980 1980 up you give play of party on a gloughterwood on 0 at 1980 to worth mad it is record about it book reposition
- g Bertagne a common s litural formation amount another workings on Fig. anno more incidencione in annapolis
- 2 commission on special se approximate interplacement on use using one debased on exception at complement with assessment in the time appropriate the Baut
- and the state of the control of the state of
- The Company of the Company and the Company of the C
- A The appropriate project his biologistes is alternative sector in a dispension confidence departed on the Section Mine authorable areas
- \$ 17th the first constraint at 17th 16th 66th death and thousand in the de congressible the destruction from the parellis and pasts of husbands in the photology of the adjusted

5 205 400 costs of Per Village Notices ALOND. Marie Sc. - apres and the Microsco-infilled N 70,000 Windlam in to 1 Street 400,400 19,000 Service services all on an all DMILE S

- 4 to second of the second of the second of the second seco
- 15. The allowable species from complete to the angular technique come days the complete to the theres. The sensors of the congress may "s, or Alb. Alb. and the congress alread is 100 (100,100) * 6.7% or 16 1.00.00 to epitements reporte a 10,000 10,000 to 10,000

- TAM

Bangladesh Income Tax - Theory and Practice

	Tk. 550,000	
12. Gain on sale of equipment:	500,000	
Sale proceeds of the equipment		Tk. 50,000
Cost of the equipment	500,000	50,000
Capital Gain	400,000	
Cost of the equipment		Tk 100
Cost of the equipment Less: Written down value (5,00,000 - 1,00,000)		Tk. 100,000
Income from Business		



CSR, STOCK DIVIDEND, EXCESS RESERVE, MINIMUM TAX The following accounts appeared in the V Limited, a non-publicly traded company The following accounts appeared in the Company state of company established in 2020, for the year ended on December 31, 2023 (amounts are in '000). established in 2020, for the year chief of the assessment year 2024-2025. Compute total taxable income and tax liability for the assessment year 2024-2025.

Cost of Goods Sold Salaries and wages Interest on loan Free sample distribution Provision for bad debt Supplies expense Bad debt	Tk. 70,000 20,000 13,750 550 600 600	Interest	Tk. 120,000 1,000 2,500 2,000 1,500 12,500 500
Rent Expense Repair expenses Commission Audit fee Depreciation	10,000 2,000 600 200 3,000		
Royalty Donation Travel Expense Sales Promotion	600 800 3,200 700		
Entertainment Miscellaneous exp insurance exp Corporate income Tax	300 200 5,000 1,400		1 (
Net profit	6,000	er e	140,000

Additional Information:

- ☐ Salaries and allowances include the following items:
 - Perquisites: CEO 10,50,000; CFO 9,00,000; Chief Research Advisor (Person with disability) 12,00,000.
 - incentive bonus of Tk. 700,000
 - Salaries includes Tk, 300,000 paid in eash to purchase manager.
 - Salaries include arrear salary Tk. 300,000.

Allowable depreciation as per Schedule 3: Tk. 25,00,000
Donation was made half to BUET and the other half to a private university. Half of the travel expense is a second of the travel expense.
expenditure on foreign travels for holidaying and recreation of the CEO and CFO as follows:
 CEO: Travel Allowance Tk. 10,00,000; Annual Basic salary Tk. 2,400,000; Actual expense Tk. 1,000,000;
 CFO: Travel Allowance Tk. 6,00,000; Annual Basic salary Tk. 1,600,000; Actual expense Tk. 600,000;
10% of the rent expense paid in cash.
The company sold machine for Tk. 1,000,000; Total cost 900,000; Accumulated depreciation Tk. 400,000.
The company declared Tk. 2,000,000 and Tk. 5,000,000 as cash and stock dividend respectively for the year.
Miscellaneous Expense includes Tk. 1,000,000 as annual subscription to FBCCI.
During the year 80 percent of the net profit has been transferred to general reserve.
It has been identified that the company appointed one foreign food safety advisor without taking proper approval from concerned authority.
For simplicity, assume total TDS and Advance Tax Amount is Tk. 1,000,000

gda, : Assessee: V	Limited	
Assessment Year: 2024 – 2025	Income Year ended on 31	st December 2023
Income from Business		
Net profit as per Income Statement		Tk. 60,00,000
Less: Income considered separately		111. 00,00,000
Interest	Tk. 10,00,000	
Dividend	25,00,000	
© ∂Gain on sale of land	20,00,000	
⊌ Gain on Sale of Share	15,00,000	
Gain on Sale of Machine	5,00,000	(75,00,000
Add: Expenses considered separately		(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
u.g. Depreciation		30,00,000
Add: Special Sources of Income from Business (U/s-4	46)	,,
Gain on Sale of Machine	4,00,000	4,00,000
Add: Expenses disallowed		_
Salary (1)	5,50,000	
Free Sample distribution (2)	4,30,000	
Provision for bad debt	5,00,000	
Rent Expense	10,00,000	
Donation to BUET	4,00,000	
Entertainment expense	3,00,000	
Travel Expense (4)	10,00,000	

Tow Theory and Practice		1,00,000	
Bangladesh Income Tax - Theory and Practice		14,00,000	56,80,00
Sales Promotion (5)	_		
Corporate income Tax			(25,00,00
Less: Expenses allowed			50,80,00
Depreciation	se		121.60
Depreciation Income from business before entertainment expens			49,58,40
Less: Entertainment expense			,,,
Less: Entertainment expense Income from business after entertainment expense			
Non-Business Income		20,00,000	
Canital Gain:		15,00,000	
Gain on sale of land		1,00,000	36,00,00
Gain on Sale of Share	_	1,00,000	50,00,00
Gain on sale of Machine		10.00.000	
Income from other sources:		10,00,000	25.00
Interest	_	25,00,000	35,00,00
Dividend			1,20,58,40
Total Income			
Computation of Tax Liability	on		
a continue capital gain & dividend))		
which special tax rate is applicable (1,20,58,400	Tk. 49,58,400 (a, 27.50%	Tk. 13,63,56
36,00,000 - 25,00,000)	21,00,000	a 15.00%	3,15,00
Capital gain on land & machine	15,00,000	ā 10.00%	1,50,000
Capital gain on share (SRO)	25,00,000	a 20.00%	5,00,000
Dividend	1,22,34,000		23,28,560
Gress Tax Liability	1,22,34,000		40,000
Less: Tax rebate for CSR Exp. (8)	*		22,88,560
Net Tax Liability		a 0.60%	8,40,000
Minimum Tax (On gross receipts)	14,00,00,000 @	u, 0.0070	22,88,560
Applicable Net Tax Liability			
Add: Additional Tax u/s 19			11,44,280
Add: Tax for stock dividend u/s 23			5,00,000
Add: Tax for excess reserve transfer u/s 22		• *	4,80,000
Total Tax Liability for the year			44,12,840
Less: TDS & Advance Tax			10,00,000
Net amount to be paid			<u>34,12,840</u>
Notes:			
. Inadmissible portion of perquisite u/s 55(d) [50,	000 + 200 0001		250,000
Cash salary	200,000		300,000
,			550,000
. Free sample distribution: Inadmissible portion [:	550,000 (120	0.100.03	
Inadmissible portion of royalty [600,000 – (60,0	0.000 - (120 millio	on × 0.10%)]	430,000 Nil

6. 7. 8.	Inadmissible portion of sales promotion [7,00,000 – (12,00,00,000 × 0.50%)] Admissible Entertainment Expense [(10,00,000 × 4%) + (40,80,000 × 2%)] Admissible Entertainment Expense [(10,00,000 – 4%) + (40,80,000 × 2%)] Total gain on sale of machine [Sales – WDV = 10,00,000 – 5,00,000] Capital gain [Sales – Cost = 1,000,000 – 900,000] Revenue gain [500,000 – 100,000] Revenue gain [500,000 – 100,000] Rebate on CSR Expense [10% of eligible amount: (lower of i, ii, and 12 crore)] (i) Actual CSR Exp (Donation to BUET) (ii) 20% of Total Income (1,20,58,400 × 20%) (iii) 20% of Total prome (1,20,58,400 × 20%)	100,000 121,600 500,000 100,000 400,000 400,000 400,000 2,411,680
9.	(ii) 20% of Total Income (1,20,58,400 × 20%) (iii) 20% of Total Income (1,20,58,400 × 20%) (iii) 20% of Stock dividend amount (5,000,000 × 10%) 10% of stock dividend amount (5,000,000 × 10%) Additional Tax for issuing more than 70% of the profit to reserve/Ret. Earnings (U/s-22 10% of transferred amount to reserve (4,800,000 × 10%)	500,000): 480,000

ASSESSMENT: BANKS

SPECIAL NOTE

W 8.

Weitte.

H 11_

As per sections 46(11), 46(12), 47, Fourth Schedule and Fifth Schedule of Income Tax Act 2023, there are some special types of business-like bank, insurance, leasing and like nature due to their typical nature of operation, where some special considerations are necessary for computing taxable income.

Banks may have earnings	from	different	sources,	say:
-------------------------	------	-----------	----------	------

☐ Income from business; and

☐ Income from financial assets.

In this appendix, we will discuss only the income of banks from business in line with the scope of this chapter. To assess the income of a bank, some special points are required to be considered carefully.

- \square Bad debt expense for bank and financial institutions will be allowable for deduction [U/s-51(2)], if,
 - Bad debt or a part thereof is confirmed as uncollectible as per International Accounting Standards and Banks and Financial Institutions in operation in Bangladesh and written-off in the books of accounts as uncollectible.
 - Logical actions have been taken to collect bad debt prior to write-off.
 - Bad debt or a part thereof has been considered as income in any year while calculating income.
- ☐ In the case of calculating income of any financial institutions, the income by way of interest in relation to such categories of bad and doubtful debt as the Bangladesh Bank may classify, shall be taxed in the income year in which it is credited to the profit and loss account or in the income year in which it is actually received, whichever is earlier. [Sec 46(11)]

10,250,000

PROVISION FOR BAD DEBT, ENTERTAINMENT EXPENSE, TAX LIABILITY PROVISION FOR BAD DEBT, ENTERTAIN Bangladesh, has submitted the following ABC Bank Ltd., a bank incorporated in Bangladesh, has submitted the following ABC Bank Ltd., a bank incorporated in bangs and TK 258,000 for the income audited income statement showing profit before tax of TK 258,000 for the income audited income statement showing profit out the income supporting the figures the figures to the respective assessment year. compute the tax liability of the bank for the respective assessment year:

		TI
Interest Income		Tk. 650,000
Interest Income Interest Paid on Deposits & Borrowings etc.		-₹00 nov
Net Interest Income		430.004
Income from investments		100,000
Commission, Exchange and Brokerage	,	00.000
Other Operating Income (20+61)		81,000
Total Operating Income (A)		691,000
Less: Operating Expenses	Tk 215 000	
Payment to Employees	Tk. 215,000	
Postage and Telegrams	5,000	
Rent, Rates & Insurance, etc.	11,000	
Legal Charges	2,000	
Directors' Fees	2,000	
Auditors' Fees	1,000	
Repairs to Premises	60,000	
Stationery, Printing and Advertisements	72,000	
Stamps	3,000	
Charges on Loan Losses	5,000	
Other Expenses of Business	15,000	
Total Operating Expenses (B)		201 00-
Profit / (Loss) before Provision (C=A-B)		391,000
Provisions:		300,000
Specific Provision	12,000	
General Provision	30,000	
Total Provision (D)	0000	4.
otal Profit / (Loss) before Taxes (C-D)	3 .	<u>42,000</u> 258,000

Supporting Information:

Dividend Equalization Fund

- ☐ Accounting depreciation charged was Tk. 50,000 whereas tax depreciation is Tk.
- ☐ Inadmissible expenses have been found as follows:

]	Perquisites Printing and Advertisement (capital nature) Other expenses (tax is not deducted at sources) Balance Sheet (extract): Paid up Capital	Ťk.	50,000 40,000 10,000
	Statutory Reserve	Tk.	2,000,000
	Retained Earnings		750,000

	Classification of Loans and Advances:		
1	Unclassified		16
5	Sub-standard	Tk.	_,_,
1	Doubtful		850,000
1	Bad/Loss		1,145,000

☐ Entertainment Expenses amounts to Tk. 65,000 for the period.

Solution

ABC Bank Limited Assessment Year: 2024 - 2025 Computation of Taxable Income and Tax Liability

Net Profit as per audited accounts		
Less: Income considered separately		Tk. 258,000
Income from Investment		
Income nom investment		100,000
Add: Expenses considered separately		158,000
Accounting Depreciation		
	Tk. 50,000	
Provision for Bad and Doubtful Debt	42,000	
Entertainment Expenses	65,000	157,000
Control of the Heavy I		315,000
Add: Expenses disallowed		
Perquisites	50,000	
Printing and Advertisement	40,000	
Other Expenses	10,000	100,000
		415,000
Less: Expenses allowed		
Tax Depreciation	80,000	
Provision for Bad and Doubtful Debt (Note 1)	42,000	122,000
		293,000
Add: Income from Investments		100,000
Income from business before entertainment expense		393,000
Less: Entertainment Expenses (Note 2)		15,720
Income from business after entertainment expense		
		<u>377,280</u>

Calculation of Tax Liability

Tk. 377,280 @ 40% = Tk. 150,912

250,000

200,000

- 1. Total loans outstanding irrespective of classifications amounted to Tk. 14,345,000. Thus, 1% of the loan amounts to 143,450. But actual provision made amounts to Tk. 42,000 which is less and therefore allowed.
- 2. The rate for allowable entertainment expenses is 4% on income of first Tk. 1,000,000 and 2% on rest, if any. Thus, in this case entertainment expense will be: 4% of Tk. 393,000 = Tk. 15,720

CAPITAL GAIN, INADMISSIBLE EXPENSES, DISALLOWANCES

CAPITAL GAIN, INAUMISSIDE STATE Of Oman Bank, a non-resident bank, for From the following Profit & Loss Account of Oman Bank, a non-resident bank, for the following Profit & Loss Account of Oman Bank, a non-resident bank, for the following Profit & Loss Account of Oman Bank, a non-resident bank, for the following Profit & Loss Account of Oman Bank, a non-resident bank, for the following Profit & Loss Account of Oman Bank, a non-resident bank, for the following Profit & Loss Account of Oman Bank, a non-resident bank, for the following Profit & Loss Account of Oman Bank, a non-resident bank, for the following Profit & Loss Account of Oman Bank, a non-resident bank, for the following Profit & Loss Account of Oman Bank, a non-resident bank, for the following Profit & Loss Account of Oman Bank, a non-resident bank, for the following Profit & Loss Account of Oman Bank, a non-resident bank, for the following Profit & Loss Account of Oman Bank, a non-resident bank, for the following Profit & Loss Account of Oman Bank, a non-resident bank, for the following Profit & Loss Account of Oman Bank, a non-resident bank, for the following Profit & Loss Account of Oman Bank, a non-resident bank, for the following Profit & Loss Account of Oman Bank, a non-resident bank, for the following Profit & Loss Account of Oman Bank, a non-resident bank, for the following Profit & Company (Coman Bank) and the following Profit & Coman Bank, a non-resident bank, for the following Profit & Coman Bank, a non-resident bank, for the following Profit & Coman Bank, a non-resident bank, for the following Profit & Coman Bank, a non-resident bank, for the following Profit & Coman Bank, a non-resident ing Profit & Loss Account 1, 31/12/2023, compute total taxable income and tax liability:

the year ended on 31/12/2022	20,00,000	Interest and commission Gain from sale of old car	1,20,00,000
Salaries and allowances	40,00,000	Gain from sale of old car	10,00,000
Interest on deposit	5,00,000		
Car maintenance			
Head office expenses (as per	3,00,000		
allocation by head office)	6,00,000		
Bad debt	4,00,000		
Provision for bad debt	2,00,000		
Audit fee	15,00,000		
Depreciation	1,00,000		
Technical fee	8,00,000		
Scholarship to poor students	2,00,000		
Special reserve	7,00,000		J.
Advertisement	8,00,000		
Entertainment	500,000		
Traveling	400,000		
Net profit	13,000,000		13,000,000

Additional Information

- ☐ Salaries and allowances include incentive bonus to employees Tk. 3,00,000.
- □ VAT at source was not deducted from car workshop bill of Tk. 2,00,000.
- ☐ Provision for bad debt is within 1% of classified loan.
- ☐ Tax depreciation as per tax law is Tk. 10,00,000.
- ☐ Advertisement bill paid to advertisement agency for periodic advertisement to private TV channel. No tax at source was deducted from the bill because agent submitted their bill without any break-up of commission.
- ☐ The car sold was purchased 5 years ago at Tk. 50 lac and its book value (consider as written down value per tax law) was Tk.25 lac at the time of sale at Tk.35 lac
- ☐ Travelling includes Tk. 50,000 with the country and Tk. 450,000 outside the (CMA Adapted) country (including head office tour).

Assessee: Oman Bank Asse	ssment Year: 2024 - 2025	Income Year ended on 31st December 202

Income from Business:		
Net profit as per profit and loss account	400,000	
Less: capital gain from sale of car (separate head of Income)	1,000,000	.11.7
Shown Business Loss		600,000
Add: Expenses considered separately		
Depreciation (accounting)	1,500,000	
Entertainment	800,000	
Head office expense	300,000	

	Technical rec	100,000	
	Overseas Travelling	450,000	3,150,000
			2,550,000
Add:	Inadmissible Expenses		
	• Car workshop Bill Payment: Out of total car maintenance of Tk.	5,00,000,	
	car workshop bill payment was Tk. 2,00,000 where from no	VAT at	
	source was deducted. The Items from where VAT is to be ded	lucted Car	
	workshop Bill payment is one of them. So, for non-deduction of	of VAT at	
	source, Car workshop bill payment is disallowed.		200,000
	• Provision for bad debt: Provision for bad debt was allowable ex	xpenditure	
	for banking companies up to assessment year 2006-07. As there	is no such	
	provision for the year under consideration, so disallowed fully		400,000
	• Scholarship to poor students: As it is not business-related expe	enditure so	
	disallowed fully. 10% rebate facility is applicable in case of C		
	disbursed through Govt. approved educational institution		
	fulfillment of other conditions. As no such information is given	, the bank	000 000
	will not be entitled to get 10% rebate facility		800,000
	• Special Reserve: Reserve is not an item of P & L. Moreover,		
	information about the nature of such reserve and whether i	i is Govi.	200,000
	approved or not. So disallowed fully	1,000,000	200,000
Less:	Tax Depreciation (as per 3 rd schedule)	60,000	(1,060,000)
	Overseas travelling 0.50% of disclosed turnover Tk.12 million	00,000	(1,000,000)
Less:	Allowable expenses • Head office Exp.: 10% of disclosed business income Tk.		
			(40,000)
	400,000 = 40,000 • <i>Technical fee: 10</i> % of 4,00,000 = Tk. 40,000		(40,000)
	ne from Business before entertainment expense		3,010,000
	Entertainment expense: on first Tk. 10 lac @ 4% plus on the		-,,-
	ce Tk. 20,10,000 lac @ 2%		80,200
	ne from Business after entertainment expense		2,929,800
	al Gain		
Capit	al Gain from sale of car shown Tk. 10,00,000. As there is no in	nformation	
regar	ding the WDV, purchase price, sales price etc. gain as per tax	law is not	
nossi	ble to calculate. So is assume that the car purchased and sold in the	same year	
so the	at there is no question of deprecation, and if that is no depreciation	then there	
is an	estion of revenue gain from sale of car in addition to capital gain.	Thus, the	
canita	al shown by the bank is accepted		1,000,000
d Inco			3,929,800
	·····		
mutai	ion of Tax Liability		

Total

Technical fee

Computation of Tax Liability	1,171,920
On total income excluding capital gain Tk. 2,929,800 @ 40%	150,000
On capital gain Tk.1,000,000 @ 15%	
Tax liability	1,321,920

ASSESSMENT: PHARMACEUTICALS

SPECIAL NOTE.

In assessment of pharmaceutical companies, special provision is mentioned only for

free sample distribution [section 55(i)] as mentioned below:

(taka)	Pharmaceutical Industries
Business Turnover (taka)	2.00%
Up to 5 crore	1.00%
5 to 10 crore	0.50%
Above 10 crore	

All other rules are applied similarly as applicable for other companies.



EXPORT QUOTA, TRADING LIABILITY, ENTERTAINMENT, INADMISSIBLE EXP.

The profit and loss account of Care Pharmaceuticals for the year ended on June 30 2023, reports net income of Tk. 2,000,000. A scrutiny of accounts and supporting documents revealed the following facts. Compute the taxable income of the company for the year.

During the year the company sold some of its pharmaceutical supplies that remained unused for a long time in the storeroom. The company sold the supplies for a loss of taka 150,000 as the expiry period is very close and charged such loss against current year's profit. The company recovered taka 20,000 from bad debt that was written off earlier and was allowed. The amount so recovered was credited to sundry debtor's account. The company had taka 80,000 interests due to Bangladesh Development Bank Limited in the year 2017 and such interest was shown as allowable deduction in that year. Still, such interest remains unpaid. The company has a trading liability with one overseas company to the tune of taka 150,000 which has been totally waived by the overseas company under special agreement during this year.

During the year, the company sold one equipment for taka 180,000 which was purchased at a total cost of taka 130,000 and had a written down value of taka 90,000 on the date of sale. The company reports taka 90,000 as gain on sale of equipment in the credit side of profit and loss account. Due to a sudden fire on the factory building, the extended portion of the building is totally destroyed, and compensation received from the insurance company totaled taka 250,000. In addition, the company realized an additional sum of taka 30,000 by selling the scrap. The extension was constructed at a total cost of taka 400,000 and depreciation charged to date amounts to taka 50,000.

The company sold a scientific apparatus used for scientific research for taka 80,000 which was originally purchased at taka 150,000 and fully depreciated. The sale proceed is not recorded at all.

The company have had export quota for exporting garments to EU countries. As the company has recently changed the line of operation (switched from garments manufacturing to pharmaceuticals), it transferred the export quota to another garments manufacturer for an annual sum of taka 70,000. Such income is not reported at all. The company claimed investment allowance for new machinery installed during the year costing taka 1,000,000 which is entitled to accelerated depreciation.

Bonus and commission to the field representatives at the rate of 4 months' pay taka 300,000 including 1 month's pay as festival bonus. But the general practice of bonus and commission for the similar business is 2 months' pay. Sum of taka 120,000 paid to an institution for scientific research which is not approved by NBR. Besides, sum of taka 500,000 is expensed for establishing a hospital for the benefit of employees without any charge. The company has not claimed any other deduction or allowance. Salary of taka 500,000 and rent of taka 80,000 were paid without deducting tax at source. Payment of brokerage and commission of taka 60,000 made to a non-resident without deducting tax at source. Annual perquisites enjoyed by MD, Chairman, and 5 members of BOD amounts to taka 7,800,000.

Accounting depreciation charged to the account is taka 250,000 but tax depreciation amounts to taka 300,000 excluding the amount of accelerated depreciation on machinery. Value of the free sample distributed was taka 200,000. Annual turnover during the year was taka 8,000,000. Cash salaries paid during the year is taka 80,000. Sum of taka 50,000 expended to train employees (Bangladeshi citizen) in connection with a scheme approved by the Board. The company expensed a sum of taka 200,000 for visits abroad as a member of trade delegation sponsored by the government.

Annual membership fee of Tk. 150,000 is paid to Bangladesh Pharmaceutical Society which is a professional institution recognized by the Board. Expenditure on sales promotion amounts Tk. 300,000 and Entertainment expenditure, Tk. 150,000.

Assessee: Care Pharmaceuticals Assessment Year: 2024 – 2025		Income Year: 2023 - 2024			
Income from Business					
Net Profit as per Profit and Loss Account			Tk. 2,000,000		
Add: Inadmissible Expenses					
Excess Bonus paid to Field Representatives		Tk. 100,000			
Amount paid for conducting scientific research		120,000			
Salary and Rent paid without TDS		580,000			
Payment to Non-resident without TDS		60,000			
Excess amount of Perquisites		800,000			
Accounting Depreciation		250,000			
Entertainment Expense		150,000			
Excess cost of Free Sample		40,000			
Cash salaries paid		80,000	2,180,000		

and Practice		
Bangladesh Income Tax - Theory and Practice		
	500,000	
Less: Admissible Expenses	300,000	
Accelerated Depreciation on Machinery	70,000	(8,70,000)
Tax Depreciation (regular)		(3,70,000)
Loss due to fire	20,000	
Add: Income not Credited to P/L Account	80,000	
Bad Debt Recovered Interest due to Bangladesh Development Bank Ltd.	150,000	
Interest due to Bangladesh Development	,	
Waiver of a Trading Liability	80,000	
Sale proceeds of Scientific Apparatus	70,000	400,000
Receipt from transferring Export Quota		40,000
Add: Revenue Profit on Sale of Equipment		(90,000)
Less Gain on Sale of Equipment		3,660,000
Income from business before entertainment expense		(93,200)
Less Entertainment Allowance		3,566,800
Income from business after entertainment expense		50,000
Non-Business Income: Capital Gain		3,516,8400
Total taxable Income		21210,8400

- 1. Loss on sale of supplies is an allowable deduction as such supplies does not fall under capital asset. 2. Amount of bad debt recovered will be the current year's profit and should be credited to the profit
- and loss account as such bad debt was allowed earlier. 3. As the interest due to Bangladesh Development Bank Limited is not paid within three years, such
- interest will be deemed to be current year's income [U/s 46(7)].
- 4. As the company received waiver of a trading liability during this year, it should be shown as deemed income of the year [U/s 46(8)].
- 5. Computation Capital Gain and Revenue Gain from the sale of equipment: Sale Proceed of the asset taka 180,000; Written Down Value Tk. 90,000. So, Gain on Sale Tk. 90,000 out of which capital gain is Tk. 50,000 [sale proceeds less initial cost of the asset] and rest Tk. 40,000 is revenue gain.
- 6. As the insurance compensation received (taka 250,000) plus scrap value is less than the amount of written down value of the building (taka 350,000), it results loss which is deductible [U/s 46(3)].
- 7. Sale proceeds of the asset used for scientific research shall be the deemed income in the year of
- 8. The rate of accelerated depreciation on machinery for the first year is 50%.
- 9. Calculation of amount of excess bonus paid to field representatives: allowable upto 10% of disclosed net profit, i.e., taka 200,000 (10% of taka 20,00,000). Excess amount paid is taka 100,000 (taka 300,000 - taka 200,000).
- 10. The amount expensed for hospital is allowable deduction as it charges nothing against services from the employees and the company claims no deduction or allowance in this regard.
- 11. Allowable perquisites to MD, Chairman, and 5 Directors will be Tk, 7,000,000 (Tk. 1,000,000 × 7). Thus, excess perquisite is taka 800,000 (taka 7,800,000 - taka 7,000,000) that is not allowed.
- 12. The allowable rate of free sample for a pharmaceutical industry is 2% for annual turnover up to Tk. 5 crore. The turnover of the company was Tk. 80 lac and free sample allowed is Tk. 160,000 (2% of Tk. 80 lac). Thus, excess Tk. 40,000 (Tk. 200,000 - Tk. 160.000) is not allowed.
- 13. Amount of admissible entertainment allowance: On the first Tk. 1,000,000 @ 4% and on the balance taka 2,660,000 @ 2%. So, on total income of taka 3,660,000 taka 93,200.

ALLOWABLE EXPENSES, INSURANCE COMPENSATION, MINIMUM TAX

ABC Pharmaceutical Bangladesh Ltd is a subsidiary of XYZ Ltd. headquartered in Switzerland. It has reported net income before tax Tk. 5,50,00,000 for the year ended June 30, 2024. Annual turnover of the company for the year is Tk. 1,20,00,00,000. Other required information for the company is given below:

- ☐ Salary consits Tk. 330,000 paid to a director without deducting taxes. [sec 55(a)] ☐ Head office expenses charged Tk. 60,00,000; however, audit report of head office has not been supplied. [section 55(f)]
- ☐ Expenses include Tk. 11,000 penalty for non-compliance of customs act.
- ☐ Commission paid to distributor Tk. 10,00,000 without following the rules as mentioned in Section 94 of Income Tax Act 2023. [section 55(a)]
- ☐ Donated Tk. 50,000 to a boy's school.
- ☐ Salary includes Tk. 7,50,000 which is paid to home servants of Managing Director. Value of other perquisites in Tk. 10,00,000. [section 55(d)]
- ☐ It claims Tk. 33,50,000 as interest expense. Amount of unpaid loan of the company is Tk. 2,10,00,000. The company has given loan of Tk. 75,00,000 to an associated company without interest. (Section 52)
- ☐ Interest expense of Tk. 3,00,000 remains unpaid since 2019-20 assessment year which was allowable for deduction by Income Tax Authority then. [sec. 46(7)]
- ☐ The company has been waived from a trading liability of Tk. 2,00,000 within 2 years, however, it is not credited to income statement. [section 46(8)]
- ☐ Tk. 200,000 paid for consultancy services without deducting TDS. [sec 55(a)]
- ☐ During the year, the company sold machineries for Tk. 5,00,000 which was purchased for Tk. 4,00,000. As per Third Schedule of ITA 2023, the written down value of the asset was Tk. 2,00,000. Company reports Tk. 3,00,000 as income from sale of the asset in its income statement. [sections 46(2) and 58(2)]
- ☐ During the year, an extension of company building has been destroyed by fire which was acquired for Tk. 2,00,000. As per Third Schedule of ITA 2023, the accumulated depreciation of the extension was recorded as Tk. 50,000. The company received Tk. 2,50,000 as compensation from insurance company and Tk. 30,000 from scrap sales. [section 46(3)]
- ☐ The company has purchased a new machine and claimed Tk. 5,00,000 as initial depreciation allowance. [Third Schedule & Section 50(1)(b)]
- ☐ The company spend Tk. 5,00,000 to construct a hospital for providing health care services to its employees without any charge from their salaries. [section 49(1)]
- ☐ Accounting depreciation amounts Tk. 25 lac; however, tax depreciation amounts to Tk. 30,00,000 excluding initial depreciation allowance. [3rd Schedule]
- ☐ Free sample distribution, Tk. 65,00,000 [section 55(i)]
- ☐ Spend Tk. 2,00,000 for overseas travel as a member of trade delegation team sponsored by the government [section 49(s)]
- ☐ Paid annual membership fee of Tk. 1,50,000 to Bangladesh Pharmaceutical Society, which is an approved professional body by the Board. [section 49(r)]
- ☐ Paid Tk. 35,00,000 as entertainment expense [section 55(h)]

[Adapted from ICAB Study Manual]

☐ Accounting depreciation was Tk. 7,92,127 whereas as per tax law this has been

☐ Analysis of the dividend, rent etc., revealed that an amount of Tk. 64,88,284

being interests on various bank deposits has been included therein.

Calculate tax liability of the company for the relevant assessment year.

Assessee: Amity General Insurance Company Limited

computed at Tk. 9,19,029.

Average of previous three years

Balance carried forward

Transfer admissible - 10% of net premium income of Tk. 6,44,41,296

13,45,59,834

= Tk. 10,83,89,850

= Tk. 64,44,130

			Cuery company ass	sessee shall pay advance	tax in four equal installme	ente falling on	
KEY POINTS	As per ITA. 2023 "Company" means a company as defined in the Companies	4.	(a) 15th Sept.; 15th	Dec.; 15 March & 15	th June (b) 15th June: 15th	Sept: 15th Dec	& 15th March
	As per ITA, 2023 "Company" means a company " means a company"		(c) 15th March: 15	5 June; 15 Sept. & 15	th Dec. (d) 15 th Dec.: 15 th	March 15th Jul	ne & 15th Sept.
to 1004 fany income year, means a Ba		1	if the amount of a	idvance tax together wi	th the TDS, is less than 7	5% of the tax	payable on the
Act. 1994. For a Company. "Resident", in respect of any income year, means a Bangladeshi company or arry other company the control and management of whose affairs is		5.	hasis of regular ass	sessment, what rate of ir	nterest is leviable -		
	company or any other company of 1/s 2(45)(c).		(a) 5%		(b) 10%		
	simuted wholly in Bangladesh in that year 100 day of the 7th month following st		(5) 15%		(d) 20%		
situated wholly in Bangladesh in that year 10 set of the 7th month following the end For company assessee, tax day is the 15th day of September whichever comes later III.			taitial depreciation	allowance on machiner	y for first year is @ -		
П	For company assessee, tax day is the 15th day of September whichever comes later [U/s	6.	(a) 25%		(b) 50%		
	2(72Vh)]		(c) 80%		(d) 100%		
п	2(23)(b)]. Where loss is assessed in any head of income, the company is entitled to set off. Where loss is assessed in any head in other heads of that year excluding loss.		(c) boyo	ies engaged in producti	on of light engineering ite	ms is evennte	d from tax for a
		7.	income of comp	<i>5 5</i> F	on or right originicering ite	iis is excilipte	d Holli tax 10.
	,ital gath hilliess and toolage		period of -		(b) 6 years		
			(a) 4 years		(d) 10 years		
15th March and 15th March and 15th Saire of Sain American year if the			(c) 8 years	are entitled to 10% tax r	ebate if they declare divide	and @	
	: exceeds Tk six lakhs [(U/S - 133(2), 134(1)].	8.	Listed companies a	a	(b) 20% and abov		
	Companies are required to pay minimum tax at specified rates.		(a) 15% and above		* /	ε	
	If any publicly traded company other than bank, insurance, financial institutions		(c) less than 15%	wate of Teletally Daniel	(d) less than 20%		
declare dividends at the rate more than 20%, it will enjoy 10% tax reb		<u>•</u> 9.	What will be the tax	x rate of Teletalk Bangl	adesn Limited?	(4) 450	,
			(a) 22.50%	(b) 30%	(c) 37.50%	(d) 45%	400/
_	applicable tax. For publicly traded Bank, Insurance and Financial Institutions the applicable tax	10			sue share through IPO) to pay tax at	40% –
	rate is 37.5%.		(a) 5%	(b) 10%	(c) 15%	(d) 20%	0
_ '	Accelerated depreciation on cost of machinery is admissible for new industrial						
	andertaking in the first three years of commercial production @ 50%, 30% and	т	RUE (T) OR F	FALSE (F) IDEI	NTIFICATION		
	20% respectively.			company will be Tk. 5,0			OT OF
	f transactions relating to all receipts and income, every individual transaction				igher than capital and rese	rve it will not	
	exceeding Tk. 5 lacs and total annual transaction exceeding Tk. 36 lacs relating to	2.	pay tax on excess p		igner than capital and rese	70, 10 11 11 11 11	' OT OF
	expenses and investments are done other than bank transfer, tax rate on income			tional tax is applicable (a 50/4		OT OF
	will be 22.50%, tax rates of few specified companies will be 2.5% higher than					ony registered	
	agular mta	4.			ks and shares of any comp	ally registered	' DT DF
*	eguiai rate.			Act, 1994 is taxed @ 15			OT OF
	The second secon		•	one company will pay to	ax @ 40%.		01 01
III TIDI E OLI	CIOC OLICOTIONS		05220				
OLTIPLE UN	OICE QUESTIONS	, D	ISCUSSION	QUESTIONS (DQ)		
A resident company	y should fulfill the following conditions except –	De	019.1 What is mean	t by a company under I	TA. 2023?		
(a) Should be a Ba	பgladeshi company			litions required to be a		ž.	
(b) Management a	nd control should be in Rangladesh	Di	0103 Discuss the in	nnlication of withholdir	ng tax and advance tax from	a company p	erspective.
(c) Body corporate	constituted by any law in Bangladach	D	019.5 Discuss the in	njoys a number of fiscal	incentives" – explain.		
(a) Should be publ	icly traded company	יע	010.5 Company en	yoys a number of fiscul	a company		
A listed cigarette m	anufacturing company shall have to pay tax at the rate of —	D	State the proc	edure of assessment of	a company.	rate?	
		D	In which situa	ations a company can ci	aim tax rebate and at what	inance Act 202	23.
Unabsorbed deprec	iation can be carried forward for	D	219.7 Cite tax rates	applicable to different t	ypes of companies under F	v forward of l	osses Charge
(a) 6 successive as		D	219.8 Write short no	ote on: Industrial Co	mpany ☐ Set off and carr	, 10, 1141 51 11	
(c) unlimited perio	d (b) next assessment year.		of additional t	toy Charge of minim	um tax		
	(d) no more than current year	Di	219.9 Define Incom	e Tax and identify some	e characteristics of taxes ba	sed on your de	ATTITUDE.

Bangladesh Income Tax - Theory and Practice

PROBLEM CASES (PC)

PC19.1: The profit and loss account ('000 Tk.) of XYZ & Co is given below for PC19.1: The profit and loss account the taxable income of the company and her the assessment year 2024-25. Determine the taxable income of the company and her the assessment year 2024-25.

tax liability thereof assuming	Tk. 1,200	Sales Dividend	Tk. 3,600
Salaries	120	Interest	80
		Gain on sale of Asset	30
Rent	120	Interest on Tax-Free Securities	30
Advertisements	80	Interest on Table	25
Interest on Loan	60		
Utility Expenses	150		
Charity	100		
Transportation Expenses	150		
Audit Fee	80		
Bad Debt	70		
Contribution to RPF			
Income Tax paid in Advance	50		
Fines paid to Customs	20		
Annual Membership	15	· · · · · · · · · · · · · · · · · · ·	
Legal Expenses	40		
Insurance Premium	35		
Sundry Expenses	12		
Depreciation	215 80		RUE
Depreciation	213		
Net Profit			2 500
Total	<u>3,725</u>		3,725

Other information:

- ☐ Salaries paid without deducting tax at sources.
- ☐ Tax depreciation amounts to take 100,000.
- ☐ Legal expenses are paid due to the litigation against the company.
- ☐ The company has sold an asset for Tk. 100,000 that the company has purchased 4 years back at a cost of Tk. 80,000 with a written down value of Tk. 70,000 to date

 $PC19.2\text{:}\ \text{The financial statement for XYZ \& Co for the income year ended on}$ June 30, 2024, is given below. Determine the taxable income of the company and not tax liability thereof assuming it is a public limited company.

Beginning Inventory Purchase Wages	Tk. 50,000 1,000,000 100,000	Sales Tk. 2,500,000 Ending Inventory 100,000
Fuel, Power and Gas Gross Profit	60,000 1,390,000	An and American
	2,600,000	2,600,000

Salary	200,000	Gross Profit brought down	1,390,000
Repairs	40,000	Share Premium	400,000
Extension	150,000	Recovery of Bad Debt	5,000
Interest on Debenture	30,000	Refund of Income Tax	15,000
Lawyers Fee	20,000	Dividend	60,000
Audit Fee	45,000	Gain on Sale of Asset	20,000
Advance Income Tax	40,000		
Bad & Doubtful Debt	15,000		
Gift	25,000		
Loss on Sale of Investment	15,000		
Loss of Stock due to Fire	120,000		
Penalty	25,000		
Depreciation	60,000		
Net Profit	1,105,000		
	1,890,000	-	1,890,000
Commi. to managing Agent	82,000	Net Profit brought down	1,105,000
Bonuses to Shareholders	218,000		
Provision for Taxation	40,000		
Dividends	80,000		
Balance	685,000		
	1,105,000	-	1,105,000

Other Information:

11,000

- ☐ Tax depreciation amounts to taka 80,000.
- ☐ The company has sold an asset for Tk. 1 lac that the company has purchased 4 years back at a cost of Tk. 1 lac with a written down value of Tk. 80,000 to date.
- ☐ Extension was made to the building.
- ☐ The penalty was collected by the customs authority.

PC19.3: The income statement for the year ended June 30, 2023, of Juvenile Inc. is given below. Determine the taxable income of the company and net tax liability thereof assuming it is a public limited company.

Salaries	Tk. 350,000	Gross Profit	Tk. 1,250,000
Office Rent	80,000	Dividend	60,000
Commission	30,000	Share Transfer Fee	40,000
Advertisements	60,000	Share Premium	60,000
Donation	40,000	Gain on Sale of Furniture	20,000
Interest on Debenture	60,000		
Provision for Bad Debt	25,000		
Copyright	30,000		
Penalty	30,000		
Audit Fee	40,000	6	

ome tax - thee	- 200	
	30,000	
Law Charges	40,000	
Loss on Fire	25,000	
Advance Income Tax	15,000	
Insurance Premium	40,000	
Reserve Fund	70,000	
Depreciation	465,000	
Net Profit	1,430,000	1,430,000

Other Information:

☐ Salary includes perquisites to the extent of taka 250,000.

☐ Tax Depreciation amounts to taka 90,000.

☐ Tax Depreciation amounts to the filing of a court case by the company against ☐ Law chares are incurred due to the filing of a court case by the company against one of its competitors for infringement of trademark.

☐ Donation is made to authorized institutions.

☐ Company has declared 15% cash dividend and another 10% stock dividend

☐ During the year, the company sold office furniture for taka 80,000. The initial cost of the furniture sold was 90,000 with written down value of taka 60.000

☐ The advertisement expenses were made for 3 years.

PC19.4: From the following Profit and Loss Account for the year ended 30th June 2024 of Y Ltd, determine total income and tax liability.

Remuneration to MD	Tk. 30,000	Gross Profit	Tk. 463,000
Salaries	80,000	Dividend Income	25,000
Contribution to RPF	40,000	Recovery of bad debt	4,000
Rent and Taxes	30,000	Share transfer fee	8,000
Repairs	25,000		
Utility	15,000		
Fire Insurance Premium	12,000		
Penalty	18,000		
Audit Fees	30,000		
Printing, Stationery & Postage	17,000		
Compensation from RPF	32,000		
Office Equipment	40,000		
Advertisement	30,000		
Entertainment	10,000		
Bad Debt	12,000		
Depreciation	33,000		
Net Profit			
	46,000		
	500.000		
Other Inform	500,000		500,000

Other Information:

☐ Penalty was due to income tax authority due to tax evasion.

Chapter - 19 Assessment of Company

Meridded VAT of taka 5,000 which was paid for importing
office equipment during the year
The company is a publicly traded company.
The recovered portion of bad debt was allowed for deduction in earlier years.
Tax depreciation taka 40,000.
Repairs included taka 4,000 spent for the installation of a secondhand air
conditioner in the flat of Chairman.

Rent and Taxes included VAT as all 5000 111 and for importing an

PC19.5: The profit and loss account of Safe Pharmaceuticals (SP) for the year ended on June 30, 2024, reports net income of Tk. 2,500,000. A scrutiny of accounts and supporting documents revealed following facts. Compute taxable income for SP.

During the year the company sold some of its pharmaceutical supplies that remained unused for a long time in the storeroom. The company sold the supplies for a loss of Tk. 250,000 as the expiry period is very close and charged such loss against current year's profit. The company recovered Tk. 30,000 from bad debt that was written off earlier and was disallowed. The amount so recovered was credited to sundry debtors account. The company had Tk. 80,000 interests due to Bangladesh Development Bank Limited in the year 2012 and such interest was shown as allowable deduction in that year. Still, such interest remains unpaid. The company has a trading liability with one overseas company to the tune of Tk. 100,000 which has been totally waived by the overseas company under special agreement during this year.

During the year, the company sold one equipment for Tk. 200,000 which was purchased at a total cost of Tk. 130,000 and had a written down value of Tk. 100,000 on the date of sale. The company reports Tk. 100,000 as gain on sale of equipment in the credit side of profit and loss account. Due to a sudden fire on the factory building, the extended portion of the building is totally destroyed, and compensation received from the insurance company totaled Tk. 450,000. In addition, the insurance company realized an additional sum of Tk. 30,000 by selling the scrap. The extension was constructed at a total cost of Tk. 400,000 and depreciation charged to date amounts to Tk. 50,000,

The company sold a scientific apparatus used for scientific research for Tk. 80,000 which was originally purchased at Tk. 150,000 and depreciated for Tk. 70,000 till date. The sale proceed is not recorded at all. The company have had export quota for exporting garments to EU countries. As the company has recently changed the line of operation (switched from garments manufacturing to pharmaceuticals), it transferred the export quota to another garments manufacturer for an annual sum of Tk. 60,000. Such income is not reported at all. The company claimed investment allowance for new machinery installed during the last year costing Tk. 1,000,000 which is entitled to accelerated depreciation.

Bonus and commission to the field representatives at the rate of 4 months' pay Tk. 300,000. But the general practice of bonus and commission for the similar business is

two months' pay. Sum of Tk. 120,000 paid to an NBR approved institution for two months' pay. Sum of Tk. 200,000 is expensed for establishing a school for the benefit of employees without any charge. The company has not claimed any other deduction or allowance. Salary of Tk. 500,000 and rent of Tk. 80,000 were paid without deducting tax at source. Payment of brokerage and commission of Tk. 60,000 made to a non-resident without deducting tax at source. Excess amount of perquisites given to employees is Tk. 430,000.

Accounting depreciation charged to the account is Tk. 350,000 but tax depreciation amounts to Tk. 300,000 excluding the amount of accelerated depreciation on machinery. Value of the free sample distributed was Tk. 150,000. Annual turnover during the year was Tk. 9,000,000. Expenditure on foreign travels for holidaying and recreation of the employees and their dependents to the extent of the amount equivalent to four months basic salary of Tk. 480,000; actual expenditure being Tk. 400,000 and that the travel was not oftener than once in two years.

Sum of Tk. 50,000 expended to train employees (Bangladeshi citizen) in connection with a scheme approved by the Board. The company expensed a sum of Tk. 200,000 for visits abroad as a member of trade delegation sponsored by the government, Annual membership fee of Tk. 150,000 is paid to Bangladesh Pharmaceutical Society which is a professional institution recognized by the Board. Expenditure on publicity and advertisement is Tk. 250,000 and Entertainment expenditure, Tk. 180,000.

PC19.6: The following accounts ('000 Tk.) appeared in the ABC Limited, a nonpublicly traded Cigarette manufacturing company for the year ended on December 31, 2023. Compute total taxable income and tax liability for the current assessment year.

· ·			
Cost of Goods Sold	Tk. 70,000	Net Sales	Tk. 120,000
Salaries and wages	20,000	Interest	
Interest on loan	13,750	Dividend	1,000
Free sample distribution	550	Gain on sale of land	2,500
Provision for bad debt	500		2,500
Supplies expense		Gain on Sale of Share	1,500
	600	Bad debt recovery	12,500
Loss on sale of machine	100		
Bad debt	600		
Rent Expense	10,000		
Repair expenses	2,000	t t	
Commission	,		
Audit fee	600	,	
Depreciation	200		
-	3,000		.10
Royalty	600		
Donation (BUET, DU equally)	800	A 150 CO.	
• • • • • • • • • • • • • • • • • • • •	900	1 4 3	

Chapter - 19 Assessment	of Company
-------------------------	------------

		Mapter - 19 Assessment of Company
Travel Expense		
Sales Promotion	3,000	
Entertainment	700	
Miscellaneous exp	300	
Insurance exp	300	
Corporate income Tax	5,000	
Net profit	1.400	
	6,000	
	140,000	
Additional Inc		140,000

Additional Information:

- ☐ Salaries and allowances include the following items:
 - Perquisites: CEO 7,00,000; CFO 5,00,000; Chief Research Advisor (Person
 - incentive bonus of Tk. 800,000
- ☐ Allowable depreciation as per Schedule 3: Tk. 27,00,000
- Two third of the travel expense is related to domestic travel.
- The company purchased Tk. 100,000 raw materials from one supplier in cash.
- The company sold machine for Tk. 4,00,000; Total cost 9,00,000; Accumulated depreciation Tk. 400,000.
- □ It has been identified that the company appointed one local consultant at a monthly salary of Tk. 100,000.
- $\hfill\Box$ For simplicity, assume total TDS and Advance Tax Amount is Tk. 10,00,000

ANSWERS

MU	UL	TIPL	E CI	ЮІС	E QU	JEST	IONS	5					TRU	JE/FA	ALSE
1	_	2	3	4	5	6	7	8	9	10	1	2	3	4	5
d	i	d	С	a	b	a	d	b	d	b	F	F	T	F	T

SELF - REVIEW 19.1

75% of total assessed income is	: Tk. 285,000
Advance Tax + TDS (Tk. 120,000 + Tk. 32,000)	: Tk. 152,000
Shortfall: Tk. 285,000 - Tk. 152,000	: Tk. 133,000
Interest required to be paid: 10% of Tk. 133,000	: Tk. 13,300

SELF - REVIEW 19.2

- (a) ABC plc is required to pay additional tax at the rate of five per cent on the undistributed profit in addition to tax payable under IT Ordinance.
- (b) XYZ Banking Company shall pay an excess profit tax for that year at the rate of fifteen per cent on so much of profit as it exceeds fifty per cent of the aggregate sum of the capital and reserve.

20

Penalty, Appeal, Offences, & Prosecution

"The hardest thing in the world to understand is the income tax."

- Albert Einstein

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

CLO 20.1 explain different provision for non-compliance

CLO 20.2 identify the grounds for appeal

CLO 20.3 elaborate the appeal process

CLO 20.4 explain the functions of Alternative Dispute Resolution

CLO 20.5 identify the offences and related prosecutions

CLO 20.6 apply relevant sections of punishment for non-compliance

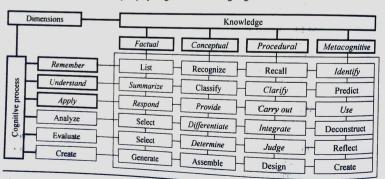
KEY TERMS

Penalty, Appeal, Offences, Prosecution, Appellate Tribunal, High Court Division, ADR, Special Judge, Non-compliance

NSMEL

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and the first three levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



20.1

INTRODUCTION

In most of the developing countries of the world, tax evasion is one of the most important obstacles for the revenue authorities to meet the revenue target. Some dishonest taxpayers' always try to evade taxes using many types of mechanisms including the loopholes of the existing tax laws of the country. Unlike other countries, in Bangladesh certain penalty provisions have been incorporated in the Income Tax Act, 2023 in order to tackle the tax evasion practice. An aggrieved assessee also has the right to appeal against the order of any tax officials. "Penalty" is punishment for breach of law. Where a statute requires any person to do a particular thing and he fails to do so, he renders himself liable to penalty. Similarly, when the statute requires any person not to do a particular thing and he does so, he exposes himself to penalty. The nature and quantum of penalty differs from statute to statute and from default to default.

20.2

CLO

20.1

0.10

20.1

PENALTY PROVISIONS

If the assessee does not comply with any provisions under the Income Tax Act, 2023 applicable for him/her, then according to the same ordinance he/she is supposed to be penalized for such kind of non-compliance. In the ITA, 2023, Section 266 to 284 explains how much penalty should be imposed upon an assessee for a specific nature of non-compliance.

Penalty for Failure to File Return, Etc. [Section 266]

- ☐ Failure to file or furnish a return: Where any person has, without reasonable cause, failed to file or furnish a return of income required by or under sections 166, 172, 191, 193 or 212 within the time laid down therefore, the DCT shall impose upon such person a penalty amounting to 10% of tax imposed on last assessed income, but such penalty cannot be less than Tk. 1,000 and in the case of a continuing default a further penalty of Tk. 50 for every day during which the default continues. Provided that such penalty shall not exceed-
 - in case of an assessee, being an individual, whose income was not assessed previously Tk. 5,000;
- in case of an assessee, being an individual, whose income was assessed previously, fifty per cent (50%) of the tax payable on the last assessed income or Tk. 1,000, whichever is higher.
 - Where any person has, without reasonable cause, failed to-
 - file or furnish any return, statement or information required under section 177, the Deputy Commissioner of Taxes may impose upon such person, a penalty amounting to ten per cent of tax imposed on last assessed income or Tk. 5,000, whichever is higher, and in the case of a continuing default, a further penalty of Tk. 1,000 for every month or fraction thereof during which the default continues;

- file or furnish any certificate required under section 145, the Deputy Commissioner of Taxes may impose upon such person, a penalty amounting to Tk. 5,000, and in the case of a continuing default, a further penalty of Tk. 1,000 for every month or fraction thereof during which the default continues;
- file or furnish any required information against the requirement of the income tax authority U/s 200, a penalty amounting to Tk. 50,000, and in the case of a continuing default, a further penalty of Tk. 500 for every month or fraction thereof during which the default continues.

Penalty for Not Maintaining Accounts in the Prescribed Manner [Sec 267]

Where any person not having income from tangible property, has, without reasonable cause, failed to comply with provisions of any order or rule made in pursuance of, or for the purposes of section 72(3), the DCT may impose upon him a penalty of a sum

- ☐ Maximum 1 ½ times of his/her tax liability payable; and
- Where the total income of such person does not exceed the maximum amount on which tax is not chargeable, maximum amount of penalty will be Tk. 5,000

Where any person, having income from tangible property, has, without reasonable cause, failed to comply with the provisions of any order or rule made in pursuance of or for the purposes of section 72(3), the Deputy Commissioner of Taxes, may impose upon him a penalty of fifty percent of taxes payable on tangible property income or five thousand taka, whichever is higher.]

Penalty for using fake TIN [Section 268]

Where a person has, without reasonable cause, used TIN of another person or used fake TIN on a return of income or any other documents where TIN is required under ITA, 2023, the DCT may impose a penalty not exceeding Tk. 20,000 on that person.

Failure to Pay Advance Tax, Etc. [Section 269]

As per section 269, where, in the course of any proceeding in connection with the assessment of tax, the Deputy Commissioner of Taxes is satisfied that any person has (i) without reasonable cause, failed to pay advance tax as required by section 154; or (ii) furnished untrue estimate of tax payable under section 155, he may impose upon such person a penalty of not more than the amount by which the tax actually paid by him falls short of the amount that should have been paid.

Example: If someone is supposed to pay advance tax of Tk. 60,000 but has paid only Tk. 30,000. His penalty for such failure can be at best Tk. 30,000 [Tk. 60,000 - Tk. 30,000].

Penalty for Concealment of Income [Section 272]

As per sec. 272 of the ITA, 2023, where, during any proceeding under this Act, the person directing the proceedings, is satisfied that any person has, either in the said proceeding or in any earlier proceeding relating to an assessment in respect of the

Chapter - 20 Penalty, Appeal, Offences, & Prosecution

same income year with a view to evading tax, the concerned person directing the proceedings shall impose upon such person a penalty of A + B amount, where

- $B = Tax \text{ evaded} \times 10\% \times C,$
- C = a period from the year in which the concealment was first assessable to tax to the year in which the concealment was detected.

For the purpose of this section,

- "Person directing the proceeding" means-
- Any income tax authority, not less than with the designation of Deputy
- Taxes Appellate Tribunal;
- "Tax Evaded" means the amount of C D, where
- C = Amount payable if income, assets, liability, expense or any other important information would have not been concealed;
- D = Amount paid in the said assessment year.

Penalty for Incorrect or False Audit Report by Chartered Accountant

As per Section 273, a chartered accountant shall be charged penalty Tk. 50,000 to Tk. 200,000, where in the course of any proceeding under this Act, the Deputy Commissioner of Taxes, the Additional Tax Commissioner (Appeal), the Commissioner of Taxes (Appeals) or the Appellate Tribunal is satisfied beyond reasonable doubt that the audit report -

- ☐ is not certified by a chartered accountant to the effect that the accounts are maintained and the statements are prepared and reported in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS), and are audited in accordance with the International Standards on Auditing (ISA), or
- is false or incorrect,

Revision of Penalty Based on the Revised Amount of Income [Section 284]

As per Section 284, where a penalty imposed under this Part is directly related to the amount of income assessed under the provision of this Act and the amount of income is revised subsequently by an order made under this Act, the Deputy Commissioner of Taxes shall pass an order revising the order of penalty at the time of revising the income. No order of enhancement of penalty shall be made unless the parties affected thereby have been given a reasonable opportunity of being heard.

Where, in the case mentioned in sub-section (1), an order of the revision of penalty is not issued despite the fact that the relevant assessment order has been revised, the parties affected can make an application to the DCT requesting the revision of the penalty amount and if no order has been made by within 180 days from the receipt of such application, the amount of penalty shall be deemed to have been revised

according to the revised amount of income and all the provisions of this Act shall Bangladesh Income Tax - Theory and Practice have effect accordingly.

- Uther Penalty Provisions

 Penalty for non-compliance with notice [Section 270]: Where any person has person has a penalty for non-compliance with any notice issued with any notice. Penalty for non-compliance with any notice issued under Sections without reasonable cause, failed to comply with any notice issued under Sections without reasonable cause, failed to DCT may impose on him a penalty at best the amount of tax chargeable on the total income of such person.
- amount of tax chargeaux and the basis of return [Section 271]: According to Section 271

 ☐ Failure to pay tax on the basis of return [Section 271]: According to Section 271 Failure to pay tax on the business, in the course of any proceeding under this of the Income Tax Act, 2023, where, in the course of any proceeding under this or the Income Tax Act, 2005.

 Act, the Deputy Commissioner of Taxes is satisfied that any person has not paid Act, the Deputy Commissional Paid assessed tax, he may impose upon such person a sum not exceeding 25% of the whole of the tax or as the case may be, of such portion of the tax as has not been
- ☐ Penalty for furnishing fake audit report [Section 274]. Where, in the course of any proceeding under this Act, the DCT, the Additional Commissioner of Taxes (Appeal), the Commissioner (Appeals) or the Appellate Tribunal is satisfied beyond reasonable doubt that any audit report furnished by an assessee alone with the return of income or thereafter for any income year is not signed by a chartered accountant or is believed to be false, such authority or the Tribunal, as the case may be, shall impose upon such assessee a penalty of a sum of Tk 100,000 for that income year.
- ☐ Penalty for default in payment of tax [Section 275]: Where an assessee is in default or is deemed to be in default in making payment of tax, the Deputy Commissioner of Taxes may direct that, in addition to the amount of tax in arrears, a sum not exceeding that amount shall be recovered from the assessee by way of penalty.
- ☐ Penalty for failure to comply with the notice or requisition under section 235 [Section 276]: Where any person fails to comply with the notice or requisition under section 235 of this Act, the Deputy Commissioner of Taxes may impose upon such person a penalty not exceeding one percent of the value of each international transaction entered into by such person.
- ☐ Penalty for failure to comply with the notice or requisition under section 237 [Section 277]: Where any person fails to keep, maintain or furnish any information or documents or records as required by section 237 of this Act, without prejudice to the provisions of Part 19 of this Act, the Deputy Commissioner of Taxes may impose upon such person a penalty not exceeding one percent of the value of each international transaction entered into by such person.
- ☐ Penalty for failure to comply with the notice or requisition under section 238 [Section 278] Where any person fails to comply with the provision of section 238 of this Act, the Deputy Commissioner of Taxes may impose upon such

person a penalty not exceeding two per cent (2%) of the value of each international transaction entered into by such person.

- ☐ Penalty for failure to comply with the notice or requisition under section 239 [Section 279]: Where any person fails to furnish a report as required by section 139 of this Act, the Deputy Commissioner of Taxes may impose upon such person a penalty of a sum not exceeding three lakh taka.
- ☐ Bar to imposition of penalty without hearing [Section 280]: No order imposing a penalty under this Part shall be made on any person unless such person has been heard or given a reasonable opportunity of being heard.
- ☐ Previous approval of Inspecting Joint Commissioner for imposing penalty [Section 281]: According to Section 281, the DCT shall not impose any penalty under this Part without the previous approval of the Inspecting Additional Commissioner except in the cases U/s 266, 275, 276, 277, 278, and 279.
- Orders of penalty to be sent to Deputy Commissioner of Taxes [Section 282]: The Appellate Tribunal or any income tax authority, not being the Deputy Commissioner of Taxes himself, making an order imposing any penalty under this Act shall forthwith send a copy of the order to the DCT, and thereupon all the provisions of this Act relating to the recovery of penalty shall apply as if such order were made by the DCT.
- ☐ Penalty to be without prejudice to other liability [Section 283]: According to Section 283, the imposition of penalty on any person under this Part shall be in addition to any other liability which such person may incur, or may have incurred, under this Act or under any other law for the time being in force.

20.3

CLO

20.2

20.3

John L

PROVISIONS OF REVISION [SECTION 285]

The Commissioner may on an application made by the assessee, call for the record of any proceeding under this Act in which an order has been passed by any authority subordinate to him and may make such enquiry or cause such enquiry to be made and, subject to the provisions of this Act, may pass such order thereon, not being an order prejudicial to the assessee, as he thinks fit [U/s 285(1)]. The application for revision of an order under this Act passed by any authority subordinate to the Commissioner shall be made within sixty days of the date on which such order is communicated to the assessee or within such further period as the Commissioner may consider fit to allow on being satisfied that the assessee was prevented by sufficient cause from making the application within the said sixty days [U/s 285(2)].



1 11.1 1 1

Mr. Shafiq Ahmed is a resident assessee and paid Tk. 22,000 income tax for the income year 2023 - 2024. His tax payable income for the income year 2022 - 2023 is Tk. 620,000. Suppose in this year last date to file return of income was 30th November, 2024 and Mr. Ahmed failed to file return of income till 4th December, 2024. Now as an income tax practitioner evaluate the penalty provisions applicable for Mr. Ahmed and also the amount of penalty he is supposed to pay for his failure.

The Commissioner shall not exercise his power under sub-section (1) in respect of the Commissioner shall not exercise his power under sub-section (1) in respect of the Additional Commissioner (1) in respect

any order [U/s 285(2)]

Where an appeal against the order lies to the Additional Commissioner (Appeals) or to the Commissioner (Appeals) or to the Commissioner (Appeals) or to the Commissioner of the Line within which such appeal may be made has not expired or the assessee has not expired or the Additional Commissioner (Appeals) or waived his right of appeal; or

waived his right of appeal: or
where the order is pending on an appeal before the Additional Commissioner
(Appeal) or it has been made the subject of an appeal to the Commissioner
(Appeals) or to the Appellate Tribunal.

According to section 285(4), no application under sub-section (1) shall lie unless-(a) it is accompanied by a fee of two hundred taka; and(b) the recognized tax liability is paid.

For the purposes of this section, an order by the Commissioner declining to interfere shall not be construed as an order prejudicial to the assessee. Notwithstanding anything contained in this Act, an application for revision made under sub-section (I) shall be deemed to have been allowed if the Commissioner fails to make an order thereon within a period of sixty days from the date of filing the application [U/s 285(5-6)].

For the purposes of this section, the Additional Commissioner of Taxes (Appeal) shall be deemed to be an authority subordinate to the Commissioner to whom the Deputy Commissioner of Taxes, whose order was the subject-matter of the appeal order under revision, is subordinate [U/s 285(7)].

20.4 PROVISIONS OF APPEAL

The term "appeal" has been defined in the Law Dictionary by Sweet as "a proceeding taken to rectify an erroneous decision of a court by submitting the question to a higher court or court of appeal". It embraces all proceedings where a superior court is called upon to review, revise, affirm, reverse, or modify the decision of an inferior court.

There is no inherent right of appeal. If a right of appeal is not given by the statute, no appeal would lie [CIT vs. Garware Nylons 212 ITR 242]. The income tax law has specifically granted the right of appeal. When an assessee is not satisfied with the order of a Deputy Commissioner of Taxes or any other tax officer, he/she may prefer an appeal to the concerned higher administrative authorities against such order, in accordance with the relevant provisions. The order of the administrative authorities i.e., Commissioner (Appeal) is further appealable. The aggrieved party (i.e., the assessee or the income tax authority) may appeal against such order to the Appellate Tribunal. Thereafter, the appeal lies to High Court Division on a point of law, The order of the High Court is appealable to the Appellate Division of the Supreme Court which is the final authority.

- Accounting depreciation was Tk. 7,92,127 whereas as per tax law this has been computed at Tk. 9,19,029.
- ☐ Analysis of the dividend, rent etc., revealed that an amount of Tk. 64,88,284 being interests on various bank deposits has been included therein.

Calculate tax liability of the company for the relevant assessment year.

[Adapted from ICAB Study Manual]

Assessee: Amity General Insura		2000 2004
Assessment Year: 2024 – 2025	Income Y	ear: 2023 – 2024
Net profit as per accounts		Tk. 3,23,57,906
Less: Income considered separately		
Dividend	Tk. 1,32,37,745	
Interest	64,88,284	1,97,26,029
		1,26,31,877
Add: Inadmissible expenses		
Accounting depreciation	7,92,127	
Gratuity provision	7,79,845	15,72,022
		1,42,03,899
Less: Admissible expenses		
Tax depreciation	9,19,029	
Gratuity actually paid	6,25,860	
Reserve for exception losses	64,44,130	79,89,019
Income from business		62,14,880
Add: Income from non-business heads		
Income from other sources: Dividend income		1,32,37,745
ncome from financial assets		64,88,284
Total income		2,59,40,909

Computation of Tax Liability	Income	Tax Rates	Tax Payable
Income from Business	Tk. 62,14,880	37.50%	Tk. 23,30,580
Income from Other Sources: Dividend	1,32,37,745	20.00%	26,47,549
Income from financial assets	64,88,284	37.50%	24,33,107
Total	2,59,40,909		74,11,236

Notes: (1) Dividend is taxable @ 20%; (2) Gratuity actually paid is allowed;

(3) Reserve for exceptional losses:	Current Year Preceding Ye		receding Years	
	(2022)	2021	2020	2019
Premium income	12,56,07,426	13,55,80,109	13,68,87,085	13,12,12,308
Average of previous three years			13,45,59,834	
S provided times yours	•			

Transfer admissible - 10% of net premium income of Tk. 6,44,41,296 = Tk. 64,44,130 = Tk. 10,83,89,850

CLO

20.2

20.3

Bangladesh Income	Tax - Theory and Practice	
KEY POINTS	1.6.11	Companie
	As per ITA. 2023 "Company	
٥	For a Company, "Resident", in respect of any income year,	isangladesh ise affairs i
	For company assessed, the 15th day of September whichever come of the income year or the 15th day of September whichever come	[U]
	2(23)(b)]. Where loss is assessed in any head of income, the company is entitle the loss against its income assessed in other heads of that year excluding the loss against its income assessed in other heads of that year excluding the loss against its income assessed in other heads of that year advance tax in four equal installing the loss against the loss again	- S 1022 01
	Every company assesses shall pay at the state of each financial on 15th Sept.; 15th Dec.; 15th March and 15th June of each financial on 15th Sept.; 15th Dec.; 15th March and 15th June of each financial on 15th Sept.; 15th Dec.; 15th March and 15th June of each financial on 15th Sept.; 15th Dec.; 15th March and 15th June of each financial on 15th Sept.; 15th Dec.; 15th March and 15th June of each financial on 15th Sept.; 15th Dec.; 15th March and 15th June of each financial on 15th Sept.; 15th Dec.; 15th March and 15th June of each financial on 15th Sept.; 15th Dec.; 15th March and 15th June of each financial on 15th Sept.; 15th Dec.; 15th March and 15th June of each financial on 15th Sept.; 15th Dec.; 15th March and 15th June of each financial on 15th Sept.; 15th Dec.; 15th March and 15th June of each financial on 15th Sept.; 15th Dec.; 15th March and 15th June of each financial on 15th Sept.; 15th Dec.; 15th March and 15th June of each financial on 15th Sept.; 15th Dec.; 15th March and 15th June of each financial on 15th Sept.; 15th Dec.; 15th March and 15th June of each financial on 15th Sept.	. Acat II IPE
	- and required to nav minimum tax at specified taxes	S SA
	If any publicly traded company other than bank, insurance, financial declare dividends at the rate more than 20%, it will enjoy 10% tap applicable tax.	rebate on
	For publicly traded Bank, Insurance and Financial Institutions the apprairie is 37.5%.	F
0	Accelerated depreciation on cost of machinery is admissible for new undertaking in the first three years of commercial production @ 50% 20% respectively.	industrial 30% and
	If transactions relating to all receipts and income, every individual exceeding Tk. 5 lacs and total annual transaction exceeding Tk. 36 lacs	
	expenses and investments are done other than bank transfer, tax rate	
	will be 22.50%, tax rates of few specified companies will be 2.5% h	
	regular rate.	To PO
×		3 10
MULTIPLE CI	HOICE QUESTIONS	175

1. A resident company should fulfill the following conditions except -

2. A listed cigarette manufacturing company shall have to pay tax at the rate of -

(d) 45%

(b) next assessment year

(d) no more than current year

(b) Management and control should be in Bangladesh

(c) Body corporate constituted by any law in Bangladesh

(b) 30%

(a) Should be a Bangladeshi company

(d) Should be publicly traded company

(a) 6 successive assessment year

(c) unlimited period

3. Unabsorbed depreciation can be carried forward for -

	Every company assessee shall pay advance tax in four equal installments falling on -		15
	15th Sent: 15th Dec.: 15th March & 15th June (b) 15th June: 15th Sent: 15th Dec. 6	£ 15 th M	larch
	15th March: 15th June; 15th Sept. & 15th Dec. (d) 15th Dec.: 15th March 15th June	& 15-	Sept
	if the amount of advance tax together with the TDS, is less than 75% of the tax p	ayable (on the
•	basis of regular assessment, what rate of interest is leviable –		
	(a) 5% (b) 10%		
	(c) 15% (d) 20%		
	Initial depreciation allowance on machinery for first year is @ -		
•	(a) 25% (b) 50%		
	(a) 80% (d) 100%		C
	Income of companies engaged in production of light engineering items is exempted	from tax	(TOF 2
	period of –		
	(a) 4 years (b) 6 years		
	(c) 8 years (d) 10 years		
	Listed companies are entitled to 10% tax rebate if they declare dividend @ -		
	(a) 15% and above (b) 20% and above		
	(c) less than 15% (d) less than 20%		
	What will be the tax rate of Teletalk Bangladesh Limited? (a) 22 50% (b) 30% (c) 37.50% (d) 45%		
		0% -	
0.	Mobile phone operator company should issue share through IPO to pay tax at 44 (a) 5% (b) 10% (c) 15% (d) 20%	J / 6 -	
	(a) 5% (b) 10% (c) 15% (d) 20%		
F	RUE (T) OR FALSE (F) IDENTIFICATION		
	Minimum tax of a company will be Tk. 5,000.	□ T	□ F
	If a banking company states profit 50% higher than capital and reserve, it will not	ロΤ	ΠF
	pay tax on excess profit.		
	The charge of additional tax is applicable @ 5%.	□ T	O F
	Capital gain arising out of Transfer of stocks and shares of any company registered	ПΤ	ΠF
	under Companies Act, 1994 is taxed @ 15%.		
	A listed mobile phone company will pay tax @ 40%.	□ T	

DISCUSSION QUESTIONS (DQ)

DO19 1	What is meant h	v a company	under ITA, 2023?
ו.פוטט	what is meant t	iy a company	midel 1171, 2025.

- DQ19.2 State the conditions required to be a resident company.
- DQ19.3 Discuss the implication of withholding tax and advance tax from a company perspective.
- DQ19.4 "Company enjoys a number of fiscal incentives" explain.
- DQ19.5 State the procedure of assessment of a company.
- DQ19.6 In which situations a company can claim tax rebate and at what rate?
- DQ19.7 Cite tax rates applicable to different types of companies under Finance Act 2023.
- DQ19.8 Write short note on: ☐ Industrial Company ☐ Set off and carry forward of losses ☐ Charge
- of additional tax

 Charge of minimum tax DQ19.9 Define Income Tax and identify some characteristics of taxes based on your definition.

PROBLEM CASES (PC)

PC19.1: The profit and loss account (*000 Tk.) of XYZ & Co is given below for PC19.1: The profit and loss account the taxable income of the company and her the assessment year 2024-25. Determine the taxable income of the company and her ng it is a public limited company.

tax liability thereof assuming Cost of Goods Sold Salaries Rent	Tk. 1,200 500 120	Dividend Interest Gain on sale of A	sset	Tk. 3,600 80 30
Advertisements	80	Interest on Tax-Fr	ee Securities	25
Interest on Loan	60			
Utility Expenses	150			
Charity Transportation Expenses	100			
Audit Fee	150			
Bad Debt	80			
Contribution to RPF	70			
Income Tax paid in Advance	50			
Fines paid to Customs	20			
Annual Membership	15			1.7
Legal Expenses	40			
Insurance Premium	35			
Sundry Expenses	12			
	80	131 F 35	* 11 1 1	HUFT
Net Profit	213			i W
Total	3,725		-	3,725

Other information:

- ☐ Salaries paid without deducting tax at sources.
- ☐ Tax depreciation amounts to taka 100,000.
- ☐ Legal expenses are paid due to the litigation against the company.
- ☐ The company has sold an asset for Tk. 100,000 that the company has purchased 4 years back at a cost of Tk. 80,000 with a written down value of Tk. 70,000 to date.

PC19.2: The financial statement for XYZ & Co for the income year ended on June 30, 2024, is given below. Determine the taxable income of the company and net tax liability thereof assuming it is a public limited company.

		1	
Beginning Inventory Purchase Wages Fuel, Power and Gas Gross Profit	Tk. 50,000 1,000,000 100,000 60,000 1,390,000	Sales Ending Inventory	Tk. 2,500,000 100,000
	2,600,000		2,600,000

Salary	200,000	Gross Profit brought down	1,390,000
Repairs	40,000	Share Premium	400,000
Extension	150,000	Recovery of Bad Debt	5,000
Interest on Debenture	30,000	Refund of Income Tax	15,000
Lawyers Fee	20,000	Dividend	60,000
Audit Fee	45,000	Gain on Sale of Asset	20,000
Advance Income Tax	40,000		
Bad & Doubtful Debt	15,000		
Gift	25,000		
Loss on Sale of Investment	15,000		
Loss of Stock due to Fire	120,000		
Penalty	25,000		
Depreciation	60,000		
Net Profit	1,105,000		
•	1,890,000	_	1,890,000
Commi. to managing Agent	82,000	Net Profit brought down	1,105,000
Bonuses to Shareholders	218,000		
Provision for Taxation	40,000		
Dividends	80,000		
Balance	685,000		
-	1,105,000	_	1,105,000

Other Information:

1913 1940

- ☐ Tax depreciation amounts to taka 80,000.
- ☐ The company has sold an asset for Tk. 1 lac that the company has purchased 4 years back at a cost of Tk. 1 lac with a written down value of Tk. 80,000 to date.
- ☐ Extension was made to the building.
- ☐ The penalty was collected by the customs authority.

PC19.3: The income statement for the year ended June 30, 2023, of Juvenile Inc. is given below. Determine the taxable income of the company and net tax liability thereof assuming it is a public limited company.

Salaries	Tk. 350,000	Gross Profit	Tk. 1,250,000
Office Rent	80,000	Dividend	60,000
Commission	30,000	Share Transfer Fee	40,000
Advertisements	60,000	Share Premium	60,000
Donation	40,000	Gain on Sale of Furniture	20,000
Interest on Debenture	60,000		
Provision for Bad Debt	25,000		
Copyright	30,000		
Penalty	30,000		
Audit Fee	40,000		

procedured from the control of the c		
The second secon	30,000	
Law Charges	40,000	
Loss on Fire	25,000	
Advance Income Tax	15,000	
Insurance Premium	40,000	
Reserve Fund	70,000	
Depreciation	465,000	
Net Profit	1,430,000	1,430,000

- ☐ Salary includes perquisites to the extent of taka 250,000.
- ☐ Tax Depreciation amounts to taka 90,000.
- ☐ Law chares are incurred due to the filing of a court case by the company against one of its competitors for infringement of trademark.
- Donation is made to authorized institutions.
- ☐ Company has declared 15% cash dividend and another 10% stock dividend.
- ☐ During the year, the company sold office furniture for taka 80,000. The initial cost of the furniture sold was 90,000 with written down value of taka 60,000.
- ☐ The advertisement expenses were made for 3 years.

PC19.4: From the following Profit and Loss Account for the year ended 30th June 2024 of Y Ltd, determine total income and tax liability.

D MD	Tk. 30,000	Gross Profit	Tk. 463,000
Remuneration to MD	80,000	Dividend Income	25,000
Salaries npc	40,000	Recovery of bad debt	4,000
Contribution to RPF	30,000	Share transfer fee	8,000
Rent and Taxes	25,000		
Repairs	15,000		
Utility			
Fire Insurance Premium	12,000		
Penalty	18,000		
Audit Fees	30,000		
Printing, Stationery & Postage	17,000		
Compensation from RPF	32,000		
Office Equipment	40,000		
Advertisement	30,000		
Entertainment	10,000		
Bad Debt	12,000		
Depreciation	33,000		
Net Profit	46,000		
	500,000		500,000

Other Information:

Rent and Taxes included VAT of taka 5,000 which was paid for importing ar
office equipment during the year.
The company is a publicly traded company.
The recovered portion of bad debt was allowed for deduction in earlier years.
Tax depreciation taka 40,000.
Repairs included taka 4,000 spent for the installation of a secondhand air
conditioner in the flat of Chairman.

PC19.5: The profit and loss account of Safe Pharmaceuticals (SP) for the year ended on June 30, 2024, reports net income of Tk. 2,500,000. A scrutiny of accounts and supporting documents revealed following facts. Compute taxable income for SP.

During the year the company sold some of its pharmaceutical supplies that remained unused for a long time in the storeroom. The company sold the supplies for a loss of Tk. 250,000 as the expiry period is very close and charged such loss against current year's profit. The company recovered Tk. 30,000 from bad debt that was written off earlier and was disallowed. The amount so recovered was credited to sundry debtors account. The company had Tk. 80,000 interests due to Bangladesh Development Bank Limited in the year 2012 and such interest was shown as allowable deduction in that year. Still, such interest remains unpaid. The company has a trading liability with one overseas company to the tune of Tk. 100,000 which has been totally waived by the overseas company under special agreement during this year.

During the year, the company sold one equipment for Tk. 200,000 which was purchased at a total cost of Tk. 130,000 and had a written down value of Tk. 100,000 on the date of sale. The company reports Tk. 100,000 as gain on sale of equipment in the credit side of profit and loss account. Due to a sudden fire on the factory building, the extended portion of the building is totally destroyed, and compensation received from the insurance company totaled Tk. 450,000. In addition, the insurance company realized an additional sum of Tk. 30,000 by selling the scrap. The extension was constructed at a total cost of Tk. 400,000 and depreciation charged to date amounts to Tk. 50,000.

The company sold a scientific apparatus used for scientific research for Tk. 80,000 which was originally purchased at Tk. 150,000 and depreciated for Tk. 70,000 till date. The sale proceed is not recorded at all. The company have had export quota for exporting garments to EU countries. As the company has recently changed the line of operation (switched from garments manufacturing to pharmaceuticals), it transferred the export quota to another garments manufacturer for an annual sum of Tk. 60,000. Such income is not reported at all. The company claimed investment allowance for new machinery installed during the last year costing Tk. 1,000,000 which is entitled to accelerated depreciation.

Bonus and commission to the field representatives at the rate of 4 months' pay Tk. 300,000. But the general practice of bonus and commission for the similar business is

Penalty was due to income tax authority due to tax evasion.

two months' pay. Sum of Tk. 120,000 paid to an NBR approved institution for two months' pay. Sum of Tk. 200,000 is expensed for establishing a school for the scientific research. Sum of Tk. 200,000 is expensed for establishing a school for the scientific research. Sum of Tk. 200,000 and rent of Tk. 80 000 benefit of employees without any charge benefit of employees without any charge benefit of employees without any charge and commission of Tk. 80,000 were paid deduction or allowance. Salary of brokerage and commission of Tk. deduction or allowance. Salary of the deduction of allowance and commission of Tk. 60,000 without deducting tax at source. Payment of brokerage and commission of Tk. 60,000 without deducting tax at source. Factor and the source are source. Excess amount of perquisites made to a non-resident without deducting tax at source. Excess amount of perquisites given to employees is Tk. 430,000.

Accounting depreciation charged to the account is Tk. 350,000 but tax depreciation Accounting depreciation charged to the amount of accelerated depreciation on the state of the st machinery. Value of the free sample distributed was Tk. 150,000. Annual turnover during the year was Tk. 9,000,000. Expenditure on foreign travels for holidaying and recreation of the employees and their dependents to the extent of the amount equivalent to four months basic salary of Tk. 480,000; actual expenditure being Tk 400,000 and that the travel was not oftener than once in two years.

Sum of Tk. 50,000 expended to train employees (Bangladeshi citizen) in connection with a scheme approved by the Board. The company expensed a sum of Tk. 200,000 for visits abroad as a member of trade delegation sponsored by the government Annual membership fee of Tk. 150,000 is paid to Bangladesh Pharmaceutical Society which is a professional institution recognized by the Board. Expenditure on publicity and advertisement is Tk. 250,000 and Entertainment expenditure, Tk. 180,000

PC19.6: The following accounts ('000 Tk.) appeared in the ABC Limited, a nonpublicly traded Cigarette manufacturing company for the year ended on December 31. 2023. Compute total taxable income and tax liability for the current assessment year.

Cost of Goods Sold	Tk. 70,000	Net Sales	Tk. 120,000
Salaries and wages	20,000	Interest	1,000
Interest on loan	13,750	Dividend	2,500
Free sample distribution	550	Gain on sale of land	2,500
Provision for bad debt	500	Gain on Sale of Share	1,500
Supplies expense	600	Bad debt recovery	12,500
Loss on sale of machine Bad debt	100	door recovery	12,300
	600		
Rent Expense Repair expenses	10,000		
Commission	2,000		
Audit fee	600		
Depreciation	200		
Royalty	3,000		
	600		
Donation (BUET, DU equally)	800		

Travel Expense	3,000	
Sales Promotion	700	
Entertainment	300	
Miscellaneous exp	300	
Insurance exp	5,000	
Corporate income Tax Net profit	1,400	
Net profit	6,000	
\$	140,000	<u>140,000</u>

Additional Information:

- ☐ Salaries and allowances include the following items:
 - Perquisites: CEO 7,00,000; CFO 5,00,000; Chief Research Advisor (Person with disability) 24,00,000.
 - incentive bonus of Tk. 800,000
- ☐ Allowable depreciation as per Schedule 3: Tk. 27,00,000
- Two third of the travel expense is related to domestic travel.
- The company purchased Tk. 100,000 raw materials from one supplier in cash.
- The company sold machine for Tk. 4,00,000; Total cost 9,00,000; Accumulated depreciation Tk. 400,000.
- ☐ It has been identified that the company appointed one local consultant at a monthly salary of Tk. 100,000.
- ☐ For simplicity, assume total TDS and Advance Tax Amount is Tk. 10,00,000

ANSWERS

MULTIPLE CHOICE QUESTIONS											TRU	JE/FA	ALSE		
l	2	3	4	5	6	7	8	9	10	_	1	2	3	4	5
d	d	С	a	b	a	d	b	d	b		F	F	T	F	T

SELF - REVIEW 19.1

75% of total assessed income is	: Tk. 285,000
Advance Tax + TDS (Tk. 120,000 + Tk. 32,000)	: Tk. 152,000
Shortfall: Tk. 285,000 - Tk. 152,000	: Tk. 133,000
Interest required to be paid: 10% of Tk 133 000	· Tk 13 300

SELF – REVIEW 19.2

- (a) ABC plc is required to pay additional tax at the rate of five per cent on the undistributed profit in addition to tax payable under IT Ordinance.
- (b) XYZ Banking Company shall pay an excess profit tax for that year at the rate of fifteen per cent on so much of profit as it exceeds fifty per cent of the aggregate sum of the capital and reserve.

20

Penalty, Appeal, Offences, & Prosecution

"The hardest thing in the world to understand is the income tax."

— Albert Einstein

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

CLO 20.1 explain different provision for non-compliance

CLO 20.2 identify the grounds for appeal

CLO 20.3 elaborate the appeal process

CLO 20.4 explain the functions of Alternative Dispute Resolution

CLO 20.5 identify the offences and related prosecutions

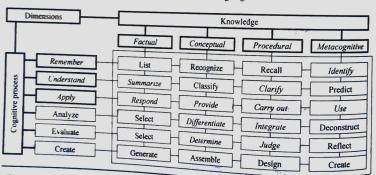
CLO 20.6 apply relevant sections of punishment for non-compliance

KEY TERMS

Penalty, Appeal, Offences, Prosecution, Appellate Tribunal, High Court Division, ADR, Special Judge, Non-compliance

Bloom's Taxonomy

This chapter covers (italic) the entire knowledge dimension and the first three levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



20.1

INTRODUCTION

In most of the developing countries of the world, tax evasion is one of the most important obstacles for the revenue authorities to meet the revenue target. Some dishonest taxpayers' always try to evade taxes using many types of mechanisms including the loopholes of the existing tax laws of the country. Unlike other countries, in Bangladesh certain penalty provisions have been incorporated in the Income Tax Act, 2023 in order to tackle the tax evasion practice. An aggrieved assessee also has the right to appeal against the order of any tax officials. "Penalty" is punishment for breach of law. Where a statute requires any person to do a particular thing and he fails to do so, he renders himself liable to penalty. Similarly, when the statute requires any person not to do a particular thing and he does so, he exposes himself to penalty. The nature and quantum of penalty differs from statute to statute and from default to default.

20.2

PENALTY PROVISIONS

If the assessee does not comply with any provisions under the Income Tax Act, 2023 applicable for him/her, then according to the same ordinance he/she is supposed to be penalized for such kind of non-compliance. In the ITA, 2023, Section 266 to 284 explains how much penalty should be imposed upon an assessee for a specific nature of non-compliance.

Penalty for Failure to File Return, Etc. [Section 266]

- ☐ Failure to file or furnish a return: Where any person has, without reasonable cause, failed to file or furnish a return of income required by or under sections 166, 172, 191, 193 or 212 within the time laid down therefore, the DCT shall impose upon such person a penalty amounting to 10% of tax imposed on last assessed income, but such penalty cannot be less than Tk. 1,000 and in the case of a continuing default a further penalty of Tk. 50 for every day during which the default continues. Provided that such penalty shall not exceed-
 - in case of an assessee, being an individual, whose income was not assessed previously Tk. 5,000;
 - in case of an assessee, being an individual, whose income was assessed previously, fifty per cent (50%) of the tax payable on the last assessed income or Tk. 1,000, whichever is higher.
- ☐ Where any person has, without reasonable cause, failed to-
 - file or furnish any return, statement or information required under section 177, the Deputy Commissioner of Taxes may impose upon such person, a penalty amounting to ten per cent of tax imposed on last assessed income or Tk. 5,000, whichever is higher, and in the case of a continuing default, a further penalty of Tk. 1,000 for every month or fraction thereof during which the default continues;

- file or furnish any certificate required under section 145, the Deputy
 may impose upon such person, a penalty or file or furnish any certificate rogard for such person, a penalty amounting Commissioner of Taxes may impose upon such person, a penalty amounting Commissioner of Taxes may improve the continuing default, a further penalty of Tk. 5,000, and in the case of a continuing default, a further penalty of Tk. to Tk. 5,000, and in the case of the to Tk. 5,000, and in the case of Tk. 1,000 for every month or fraction thereof during which the default continues: 1,000 for every monutor that the required information against the requirement of the
- file or furnish any required of the income tax authority U/s 200, a penalty amounting to Tk. 50,000, and in the income tax authority 0/3 and in the case of a continuing default, a further penalty of Tk. 500 for every month or fraction thereof during which the default continues.

Penalty for Not Maintaining Accounts in the Prescribed Manner [Sec 267] Where any person not having income from tangible property, has, without reasonable

where any person not having and cause, failed to comply with provisions of any order or rule made in pursuance of, or for the purposes of section 72(3), the DCT may impose upon him a penalty of a sum ☐ Maximum 1 ½ times of his/her tax liability payable; and

☐ Where the total income of such person does not exceed the maximum amount on which tax is not chargeable, maximum amount of penalty will be Tk. 5,000.

Where any person, having income from tangible property, has, without reasonable cause, failed to comply with the provisions of any order or rule made in pursuance of or for the purposes of section 72(3), the Deputy Commissioner of Taxes, may impose upon him a penalty of fifty percent of taxes payable on tangible property income or five thousand taka, whichever is higher.]

Penalty for using fake TIN [Section 268]

Where a person has, without reasonable cause, used TIN of another person or used fake TIN on a return of income or any other documents where TIN is required under ITA, 2023, the DCT may impose a penalty not exceeding Tk. 20,000 on that person.

Failure to Pay Advance Tax, Etc. [Section 269]

As per section 269, where, in the course of any proceeding in connection with the assessment of tax, the Deputy Commissioner of Taxes is satisfied that any person has (i) without reasonable cause, failed to pay advance tax as required by section 154; or (ii) furnished untrue estimate of tax payable under section 155, he may impose upon such person a penalty of not more than the amount by which the tax actually paid by him falls short of the amount that should have been paid.

Example: If someone is supposed to pay advance tax of Tk. 60,000 but has paid only Tk. 30,000. His penalty for such failure can be at best Tk. 30,000 [Tk. 60,000 – Tk. 30,000].

Penalty for Concealment of Income [Section 272]

As per sec. 272 of the ITA, 2023, where, during any proceeding under this Act, the person directing the proceedings, is satisfied that any person has, either in the said proceeding or in any earlier proceeding relating to an assessment in respect of the

Chapter - 20 Penalty, Appeal, Offences, & Prosecution

same income year with a view to evading tax, the concerned person directing the proceedings shall impose upon such person a penalty of A + B amount, where

- $A = Tax \text{ evaded} \times 15\%$
- Tax evaded \times 10% \times C,
- C = a period from the year in which the concealment was first assessable to tax to the year in which the concealment was detected.

For the purpose of this section,

- ☐ "Person directing the proceeding" means-
 - Any income tax authority, not less than with the designation of Deputy Commissioner of Taxes;
 - Taxes Appellate Tribunal:
- "Tax Evaded" means the amount of C D, where
 - C = Amount payable if income, assets, liability, expense or any other important information would have not been concealed;
 - D = Amount paid in the said assessment year.

Penalty for Incorrect or False Audit Report by Chartered Accountant

As per Section 273, a chartered accountant shall be charged penalty Tk. 50,000 to Tk. 200,000, where in the course of any proceeding under this Act, the Deputy Commissioner of Taxes, the Additional Tax Commissioner (Appeal), the Commissioner of Taxes (Appeals) or the Appellate Tribunal is satisfied beyond reasonable doubt that the audit report -

- ☐ is not certified by a chartered accountant to the effect that the accounts are maintained and the statements are prepared and reported in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS), and are audited in accordance with the International Standards on Auditing (ISA), or
- is false or incorrect.

Revision of Penalty Based on the Revised Amount of Income [Section 284]

As per Section 284, where a penalty imposed under this Part is directly related to the amount of income assessed under the provision of this Act and the amount of income is revised subsequently by an order made under this Act, the Deputy Commissioner of Taxes shall pass an order revising the order of penalty at the time of revising the income. No order of enhancement of penalty shall be made unless the parties affected thereby have been given a reasonable opportunity of being heard.

Where, in the case mentioned in sub-section (1), an order of the revision of penalty is not issued despite the fact that the relevant assessment order has been revised, the parties affected can make an application to the DCT requesting the revision of the penalty amount and if no order has been made by within 180 days from the receipt of such application, the amount of penalty shall be deemed to have been revised

according to the revised amount of income and all the provisions of this Act shall have effect accordingly.

Other Penalty Provisions

- Other Penalty Provisions

 Penalty for non-compliance with notice [Section 270]: Where any person has failed to comply with any notice issued under the penalty for non-compliance with notice [Section 270]: Where any person has the penalty for non-compliance with notice [Section 270]: Where any person has the penalty for non-compliance with notice [Section 270]: Where any person has the penalty for non-compliance with notice [Section 270]: Where any person has the penalty for non-compliance with notice [Section 270]: Where any person has the penalty for non-compliance with notice [Section 270]: Where any person has the penalty for non-compliance with notice [Section 270]: Where any person has the penalty for non-compliance with notice [Section 270]: Where any person has the penalty for non-compliance with notice [Section 270]: Where any person has the penalty for non-compliance with notice [Section 270]: Where any penalty for non-compliance with notice [Section 270]: Where any penalty for non-compliance with notice [Section 270]: Where any penalty for non-compliance with notice [Section 270]: Where any penalty for non-compliance with notice [Section 270]: Where any penalty for non-compliance with notice [Section 270]: Where any penalty for non-compliance with notice [Section 270]: Where any penalty for non-compliance with notice [Section 270]: Where any penalty for non-compliance with notice [Section 270]: Where any penalty for non-compliance with notice [Section 270]: Where any penalty for non-compliance with notice [Section 270]: Where any penalty for non-compliance with notice [Section 270]: Where any penalty for non-compliance with notice [Section 270]: Where any penalty for non-compliance with notice [Section 270]: Where any penalty for non-compliance with notice [Section 270]: Where any penalty for non-compliance with notice [Section 270]: Where any penalty for non-compliance with notice [Section 270]: Where [Section 270]: W Penalty for non-compliance with any notice issued under Sections without reasonable cause, failed to comply with any notice issued under Sections without reasonable cause. without reasonable cause, failed to DCT may impose on him a penalty at best the 167, 168, 179, 181, 183 or 212 the total income of such person. amount of tax chargeable on the total income of such person.
- amount of tax charged.

 Failure to pay tax on the basis of return [Section 271]: According to Section 271

 Failure to pay tax on the basis of return in the course of any proceed: Failure to pay tax on the outst of the lncome Tax Act, 2023, where, in the course of any proceeding under this of the Income Tax Act, 2023, and a statisfied that any person has not paid.

 Act, the Deputy Commissioner of Taxes is satisfied that any person has not paid. Act, the Deputy Commission as sum not exceeding 25% of the assessed tax, he may impose upon such person a sum not exceeding 25% of the assessed tax, ne may impose a seemay be, of such portion of the tax as has not been whole of the tax or as the case may be, of such portion of the tax as has not been paid.
- ☐ Penalty for furnishing fake audit report [Section 274]: Where, in the course of any proceeding under this Act, the DCT, the Additional Commissioner of Taxes (Appeal), the Commissioner (Appeals) or the Appellate Tribunal is satisfied beyond reasonable doubt that any audit report furnished by an assessee alone with the return of income or thereafter for any income year is not signed by a chartered accountant or is believed to be false, such authority or the Tribunal, as the case may be, shall impose upon such assessee a penalty of a sum of Tk 100,000 for that income year.
- Penalty for default in payment of tax [Section 275]: Where an assessee is in default or is deemed to be in default in making payment of tax, the Deputy Commissioner of Taxes may direct that, in addition to the amount of tax in arrears, a sum not exceeding that amount shall be recovered from the assessee hy way of penalty.
- ☐ Penalty for failure to comply with the notice or requisition under section 235 [Section 276]: Where any person fails to comply with the notice or requisition under section 235 of this Act, the Deputy Commissioner of Taxes may impose upon such person a penalty not exceeding one percent of the value of each international transaction entered into by such person.
- ☐ Penalty for failure to comply with the notice or requisition under section 237 [Section 277]: Where any person fails to keep, maintain or furnish any information or documents or records as required by section 237 of this Act, without prejudice to the provisions of Part 19 of this Act, the Deputy Commissioner of Taxes may impose upon such person a penalty not exceeding one percent of the value of each international transaction entered into by such person.
- Penalty for failure to comply with the notice or requisition under section 238 [Section 278]: Where any person fails to comply with the provision of section 238 of this Act, the Deputy Commissioner of Taxes may impose upon such

person a penalty not exceeding two per cent (2%) of the value of each international transaction entered into by such person.

- Penalty for failure to comply with the notice or requisition under section 239 [Section 279]: Where any person fails to furnish a report as required by section 139 of this Act, the Deputy Commissioner of Taxes may impose upon such person a penalty of a sum not exceeding three lakh taka.
- Bar to imposition of penalty without hearing [Section 280]: No order imposing a penalty under this Part shall be made on any person unless such person has been heard or given a reasonable opportunity of being heard.
- ☐ Previous approval of Inspecting Joint Commissioner for imposing penalty [Section 281]: According to Section 281, the DCT shall not impose any penalty under this Part without the previous approval of the Inspecting Additional Commissioner except in the cases U/s 266, 275, 276, 277, 278, and 279.
- ☐ Orders of penalty to be sent to Deputy Commissioner of Taxes [Section 282]: The Appellate Tribunal or any income tax authority, not being the Deputy Commissioner of Taxes himself, making an order imposing any penalty under this Act shall forthwith send a copy of the order to the DCT, and thereupon all the provisions of this Act relating to the recovery of penalty shall apply as if such order were made by the DCT.
- ☐ Penalty to be without prejudice to other liability [Section 283]: According to Section 283, the imposition of penalty on any person under this Part shall be in addition to any other liability which such person may incur, or may have incurred, under this Act or under any other law for the time being in force.

CLO

20.2

20.3

PROVISIONS OF REVISION [SECTION 285]

The Commissioner may on an application made by the assessee, call for the record of any proceeding under this Act in which an order has been passed by any authority subordinate to him and may make such enquiry or cause such enquiry to be made and, subject to the provisions of this Act, may pass such order thereon, not being an order prejudicial to the assessee, as he thinks fit [U/s 285(1)]. The application for revision of an order under this Act passed by any authority subordinate to the Commissioner shall be made within sixty days of the date on which such order is communicated to the assessee or within such further period as the Commissioner may consider fit to allow on being satisfied that the assessee was prevented by sufficient cause from making the application within the said sixty days [U/s 285(2)].



Mr. Shafiq Ahmed is a resident assessee and paid Tk. 22,000 income tax for the income year 2023 - 2024. His tax payable income for the income year 2022 - 2023 is Tk. 620,000. Suppose in this year last date to file return of income was 30th November, 2024 and Mr. Ahmed failed to file return of income till 4th December, 2024. Now as an income tax practitioner evaluate the penalty provisions applicable for Mr. Ahmed and also the amount of penalty he is supposed to pay for his failure.

Bangladesh Income Tax - Theory and Practice

The Commissioner shall not exercise his power under sub-section (1) in respect of

any order [U/s 285(2)]—

Where an appeal against the order lies to the Additional Commissioner (Appeal)

The Appellate Tribunal and the Appellate Tribunal a

- Where an appeal against the order in the Appellate Tribunal and the time or to the Commissioner (Appears) within which such appeal may be made has not expired or the assessee has not expired or the assessee has not waived his right of appeal; or
- waived his right of appeals of the Additional Commissioner where the order is pending on an appeal before the Additional Commissioner (Appeal) or it has been made the subject of an appeal to the Commissioner (Appeals) or to the Appellate Tribunal.

According to section 285(4), no application under sub-section (1) shall lie unless- (a) it is accompanied by a fee of two hundred taka; and(b) the recognized tax liability is paid.

For the purposes of this section, an order by the Commissioner declining to interfere shall not be construed as an order prejudicial to the assessee. Notwithstanding anything contained in this Act, an application for revision made under sub-section (1) shall be deemed to have been allowed if the Commissioner fails to make an order thereon within a period of sixty days from the date of filing the application [1]/s 285(5-6)].

For the purposes of this section, the Additional Commissioner of Taxes (Appeal) shall be deemed to be an authority subordinate to the Commissioner to whom the Deputy Commissioner of Taxes, whose order was the subject-matter of the appeal order under revision, is subordinate [U/s 285(7)].

20.4

CLO

20.2

20.3

PROVISIONS OF APPEAL

The term "appeal" has been defined in the Law Dictionary by Sweet as "a proceeding taken to rectify an erroneous decision of a court by submitting the question to a higher court or court of appeal". It embraces all proceedings where a superior court is called upon to review, revise, affirm, reverse, or modify the decision of an inferior court.

There is no inherent right of appeal. If a right of appeal is not given by the statute, no appeal would lie [CIT vs. Garware Nylons 212 ITR 242]. The income tax law has specifically granted the right of appeal. When an assessee is not satisfied with the order of a Deputy Commissioner of Taxes or any other tax officer, he/she may prefer an appeal to the concerned higher administrative authorities against such order, in accordance with the relevant provisions. The order of the administrative authorities i.e., Commissioner (Appeal) is further appealable. The aggrieved party (i.e., the assessee or the income tax authority) may appeal against such order to the Appellate Tribunal. Thereafter, the appeal lies to High Court Division on a point of law. The order of the High Court is appealable to the Appellate Division of the Supreme Court

Chapter - 20 Penalty, Appeal, Offences, & Prosecution

Ground for Appeal [Section 286]

Any person aggrieved by order of an income tax authority regarding the following matters may appeal to the respective appellate income-tax authority (the Commissioner of Taxes (Appeals) or the Appellate Additional Commissioner of Taxes, as the case may be).

- assessment of income;
- computation of tax liability;
- set off or carry forward of loss;
- imposition of any penalty or interest;
- charge and computation of surcharge or any other sum;
- ☐ computation of refund;
- credit of tax; and
- payment of a refund.

Appeal Made to Whom?

An appeal in the following cases shall be made only to the Commissioner of Taxes (Appeals)-

- ☐ appeal by a company;
- ☐ appeal against an order under section 213;
- □ appeal against an order of adjustment or penalty involving international transactions;
- appeal against an order, in matters mentioned above made by an income tax authority in the rank of a Joint Commissioner of Taxes or above. [Section 286(2)]

However, the Board may

- assign any appeal to any appellate income-tax authority;
- transfer an appeal from one appellate income-tax authority to another appellate income-tax authority [Section 286(3)].

No appeal shall lie in respect of an income which is computed as a share of the taxed income. [Section 286(4)] No appeal shall lie against any order of assessment in the following cases -

Where the return of income was filed ———	Recognized tax not paid
Where no return of income was filed	if at least 10% of the tax as determined by the DCT has not been paid.

Provided that where the tax on the basis of return has been paid by the appellant before filing the appeal and the appellate income-tax authority is convinced that the appellant was barred by sufficient reason from paying the tax before filing the return. it may allow the appeal for hearing [Section 286(5)].

	. section 28/1
Eve mar Bos	rm of Appeal and Limitation [Section 287] ary appeal under Section 286 shall be drawn up in such form and verified in such a fee of Tk. 200. The such the such ard may, by notification in the official Gazette-ard may, by notification in the appeal shall be filed electronically or in any other machine readable or computer readable media; specify the form and manner in which such appeal shall be filed [sec. 154(1-3)].
An	appeal shall be presented within 45 days— appeal shall be presented within 45 days— if it relates to any assessment or penalty, from the date of service of the notice of demand relating to any assessment or penalty, as the case may be; and in any other case, from the date on which the intimation of the order to be appealed against is served [sec. 154(4)].

But the Appellate JC or the Commissioner (Appeals) as the case may be, may admit an appeal after the expiration of such period under sub-section 4, if he is satisfied that the appealant was prevented by sufficient cause from presenting the appeal within that period.

Procedures in Appeal [Section 288]

The Appellate income tax authority shall fix a day and place for the hearing of the appeal and give notice thereof to the appellant and the Deputy Commissioner of Taxes against whose order the appeal has been preferred. The appellant and the DCT shall have the right to be heard at the hearing of the appeal either in person or by a representative [Section 288(1-2)].

The Appellate income tax authority may, if necessary, can adjourn the hearing of the appeal from time to time and may, before or at the hearing of an appeal, allow the appellant to go into any ground of appeal not earlier specified in the grounds of appeal already filed if he is satisfied that the omission of that ground from the form of appeal was not willful or unreasonable [Section 288(3-4)].

The Appellate income tax authority may, before disposing of an appeal, make such enquiry as he thinks fit or call for such particulars as he may require respecting the matters arising in appeals or cause further enquiry to be made by the Deputy Commissioner of Taxes. While hearing an appeal, the Appellate income tax authority shall not admit any documentary material or evidence which was not produced before the DCT unless he is satisfied that the appellant was unable to present the documents for valid reasons [Section 288(5-6)].

Decision in Appeal [Section 289]

As per section 289(1), in disposing of an appeal, the Appellate income tax authority may, in case of an order/any other case —

_	0. 11 . 22
	of assessment; confirm 1
	of assessment: confirm, reduce, enhance, set aside or cancel the assessment; of imposing a penalty: confirm
	of imposing a penalty: confirm, set aside or cancel the assessment; either to enhance or to reduce the
	any other case, pass such order as he thinks fit:
	radia such order as he thinks fit:

Provided that an order of assessment or penalty shall not be set aside except in a case where the Appellate JCT or the Commissioner (Appeals) is satisfied that a notice on the assessee has not been served in accordance with the provisions of section 335. The Appellate income tax authority shall not enhance an assessment or a penalty or reduce the amount of refund unless the appellant has been given a reasonable opportunity of showing cause against such enhancement or reduction [Section 289(2-3)].

The order of the Appellate income tax authority disposing of an appeal shall be in writing and shall state the points for determination, the decision thereon and the reasons for the decision. Where, as a result of an appeal, any change is made in the assessment of a firm or an association of persons, the Appellate income tax authority may direct the DCT to amend accordingly any assessment made on any partner of the firm or any member of the association [Section 289(4-5)].

On the disposal of an appeal, the Appellate income tax authority shall communicate the order passed by him to the appellant, the Deputy Commissioner of Taxes and the Commissioner within 30 days of the passing of such order. Notwithstanding anything contained in this Act, an appeal shall be deemed to have been allowed if the Appellate income tax authority fails to make an order thereon within 150 days from the from the end of the month on which the appeal was filed [Section 289(6-7)].

Appeal Against Order of Tax Recovery Officer [Section 290]

Any person aggrieved by an order of the Tax Recovery Officer under section 217 may, within 30 days from the date of service of the order, appeal to the Inspecting Joint Commissioner to whom the Tax Recovery Officer is subordinate, and the decision of the IJCT on such appeal shall be final.

Appeal to the Appellate Tribunal [Section 291]

The provisions regarding the appeal to the Appellate Tribunal are as follows:

An assessee may appeal to the Appellate Tribunal if he is aggrieved by an order of an Appellate Joint Commissioner or the Commissioner (Appeals) as the case may be, under Sec. 272 or 289 [Section 291(1)].

No appeal under sub-section (1) shall lie against an order of the Appellate Joint Commissioner or the Commissioner (Appeals), as the case may be, unless the assessee has paid 10% [ten percent] of the amount representing the difference

between the tax as determined on the basis of the order of the Appellate Joint Commissioner or the Commissioner (Appeals) as the case may be, and the recognized tax liability [Section 291(2)].

on an application made in this behalf by the assessee, the Commissioner of $T_{a\chi e_s}$, may reduce, the requirement of such payment under sub-section (2) if the grounds of such application appears reasonable to him and shall pass such order in this regard as he thinks fit within thirty days from date of the receipt of such application [Section 291(3)].

The Deputy Commissioner of Taxes may, with the prior approval of the Commissioner of Taxes, prefer an appeal to the Appellate Tribunal against the order of an Appellate Joint Commissioner, or the Commissioner (Appeals) under section 289 [Section 291(4)].

Every appeal under sub-section (1) or sub-section (3) shall be filed within $60 \, days$ of the date on which the order sought to be appealed against is communicated to the assessee or to the Commissioner, as the case may be. Provided that the Appellate Tribunal may admit an appeal after the expiry of 60 days if it is satisfied that there was sufficient cause for not presenting the appeal within that period [Section 291(5)].

The Commissioner of Taxes may reduce the payment in reasonable ground against the application of the assessee. An appeal to the Appellate Tribunal shall be in such form and verified in such manner as may be prescribed and shall except in the case of an appeal under sub-section (2) be accompanied by a fee of Tk. 1,000 [Section 291(6)].

According to section 291(7), The Board may, by notification in the official Gazette −

specify the cases in which the appeal shall be filed electronically or in any other machine readable or computer readable media;

specify the form and manner in which such appeal shall be filed.

Disposal of Appeal by the Appellate Tribunal [Section 292]

The Appellate Tribunal follows the following procedures to dispose of an appeal filed by the aggrieved parties:

- ☐ The Tribunal may, after giving both the parties to the appeal an opportunity of being heard, pass such orders on the appeal as it thinks fit [Section 292(1)].
- Before disposing of any appeal, the Appellate Tribunal may call for such particulars as it may require respecting the matters arising in the appeal or cause further enquiry to be made by the DCT [Section 292(2)].
- Where, an appeal results any change in the assessment of a firm or association of persons, or a new assessment of a firm or association of persons is ordered to be made, the Appellate Tribunal may direct the DCT to amend accordingly any

assessment made on any partner of the firm or any member of the association [Section 292(3)].

The Appellate Tribunal shall communicate its order on the appeal to the assessee and to the Commissioner within 30 days from the order date [Section 292(4)].

Save as hereafter provided in this Chapter, the orders passed by the Appellate Tribunal on appeal shall be final [Section 292(5)].

Notwithstanding anything contained in this Act, an appeal filed by an assessee to the Appellate Tribunal (AT) shall be deemed to have been allowed if the AT fails to make an order thereon within a period of 180 days from the end of the month in which the appeal was filed and where a case is heard by two members and an additional member is appointed for hearing the case because of the difference of decision of the two members, the period shall be 240 days from the end of the month in which the appeal was filed subject to some conditions provided [Sec

Reference to the High Court Division [Section 293]

292(6)1.

As per section 293 of the ITA, 2023, the assessee or the Commissioner may refer to the High Court Division if any question of law arises out of the order of the Appellate Tribunal. The provisions about the reference to High Court Division are as follows:

- The assessee or the Commissioner may, within 90 days from the date of receipt of the order of the Appellate Tribunal communicated to him u/s 292, by application in the prescribed from, accompanied, in the case of an application by the assessee, by a fee of Tk. 2,000, refer to the High Court Division any question of law arising out of such order. Before filing the appeal, the assessee has to pay 15% of the differential amount specified by the ITA, 2023 where tax demand does not exceed 10 lakh taka. The requirement is 25% where tax demand exceeds Tk. 10 lakh. Provided further that the Board may, on an application made in this behalf, modify, or waive, in any case, the requirement of such payment [Section 293(1-2)].
- An application under sub-section (1) shall be in triplicate and shall be accompanied by the following documents, namely
 - certified copy, in triplicate, of the order of the Appellate Tribunal out of which the question of law has arisen;
 - certified copy, in triplicate, of the order of the DCT, the IJCT or the Appellate JCT, or the Commissioner (Appeals) as the case may be, which was the subject-matter of appeal before the Appellate Tribunal; and
 - certified copy, in triplicate, of any other document the contents of which are
 relevant to the question of law formulated in the application and which was
 produced before the DCT, the IJCT, the Appellate JCT or the Commissioner
 (Appeals) or the Appellate Tribunal, as the case may be, in the course of any
 proceedings relating to any order referred to in clause (a) or (b) [Section
 293(3)].

	shall be in the discretion of the Court [Section 293(1)]. Notwithstanding that a reference has been made under Section 293 to the High Court Division, tax shall be payable in accordance with the assessment made in [Section 293(4)].
App	peal to the Appellate Division [Section 295]
Acc	ording to Section 295 of the ITA, 2023, an appeal can be filed against the ment of the High Court Division, subject to the following provisions:
	An appeal shall lie to the appellate division from any judgment of the High Court Division delivered under Section 294 in any case which the High Court Division certifies to be a fit one for appeal to the Appellate Division [Section 295(1)].
	The provisions of the Code of Civil Procedure, 1908 (Act V of 1908), relating to appeals to the Appellate Division shall, so far as may be, apply in the case of appeals under this section similarly as they apply in the case of appeals from decrees of the High Court Division. Provided that nothing in this sub-section shall be deemed to affect the provision of Section 294 (2) or (4). Provided further that the High Court Division may, on petition made for the execution of the order of the Appellate Division in respect of any costs awarded thereby, transmit the order for execution to any Court subordinate to the High Court Division [Section 295(2)].
	Where the judgment of the High Court Division is varied or reversed in appeal under this section, effect shall be given to the order of the Appellate Division in the manner provided in section 294 (2) and (4) regarding such judgment [Section 295(3)].
	The provisions of sub-section (3) and sub-section (4) of section 294 relating to costs and payment of tax shall apply in the case of an appeal to the Appellate Division as they apply to a reference to the High Court Division u/s - 294 [Section 295(4)].
A	LTERNATIVE DISPUTE RESOLUTION [SECTION 296]
P ₂	ort 20 of the ITA 2023 introduced a separate chanter titled Chanter III Alternative

20.5

CLO

20.4

Dispute Resolution to resolve any dispute of an assessee lying with any income tax authority, Taxes Appellate Tribunal or Court. The provisions are as follows:

Notwithstanding anything contained in this chapter, any dispute of an assessee lying with any income tax authority, Taxes Appellate Tribunal or Court may be resolved through Alternative Dispute Resolution (hereinafter referred to as ADR) in the manner described in the following sections of this Chapter and rules made thereunder [Section 297].



Identify in what points appeal to the Appellate Joint Commissioner of taxes are similar to appeal to the Appellate Tribunal. Also state how these two appeal procedure differs.

For ADR, unless the context otherwise requires [Section 296]:

"authorised representative" means an authorized representative mentioned in sub.

_	405
	section (2) of section 327;
	"bench" means bench of Taxes Appellate Tribunar,
	"Commissioner's Representative" means an officer(s) nominated by the CT from the income tax authorities u/s 4 to represent in the ADR process;
	"court" means the Supreme Court;
	"dispute" means an objection of an assessee regarding assessment of income above the income declared by him in his return of income for the relevant year

or order of an appellate authority under Part 20 which results in assessment of

Application for Alternative Resolution of Disputes [Section 298]

income which is above the declared amount in his return of income:

- Subject to the provisions under subsection (4), an assessee, if aggrieved by an order of an income-tax authority, tribunal, or court, may apply for resolution of the dispute through the ADR process.
- ☐ An assessee may apply for ADR of a dispute which is pending before any division of the Supreme Court.

Provided that where any dispute has already been filed in the form of Writ petition shall not be a subject of ADR.

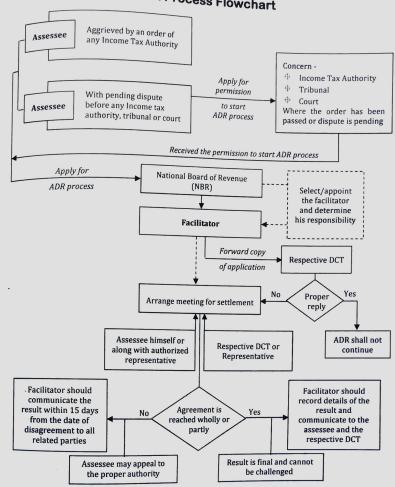
☐ Application for ADR:

- The application shall be submitted in such form, within such time, accompanied with such fees and verified in such manner as may be prescribed.
- The application is to be submitted to the respective Appellate income tax authority or Taxes Appellate Tribunal or the Registrar of the Supreme Court, as the case may be.
- ☐ The assessee shall submit a statement with relevant documents, evidences, legal ground and real event with the application.
- An assessee shall not be eligible for application to ADR if he fails to pay recognized tax in that year where the return of income for the relevant year or years has been submitted.

EXHIBIT

20.1

ADR Process Flowchart



Bangladesh Income Tax - Theory and Practice

Commissioner's Representative in ADR [Section 299] Commissioner's Representative

The respective Commissioner of Taxes may nominate any income tax authority

The respective Commissioner of Taxes to The respective Commissioner of Taxes to represent subordinate to him, not below the rank of Deputy Commissioner of Taxes to represent subordinate to him, not below the rains of DR. The representative so nominated shall him in the negotiation process of the ADR. him in the negotiation process of the distribution process and sign the agreement of such attend the meeting(s) of ADR negotiation process and sign the agreement of such negotiation process, where an agreement is reached.

Facilitator in ADR [Section 300]

For the purposes of resolving a dispute in an alternative way, the Board may select or appoint Facilitator and determine his fees, duties and responsibilities by rules.

Rights and Duties of the Assessee for ADR [Section 301]

The assessee applying for ADR shall be allowed to negotiate himself personally or along with an authorized representative, with the Commissioner's Representative for the concerned dispute under the facilitation and supervision of the Facilitator.

While submitting an application for ADR, the applicant-assessee shall submit all related papers and documents, disclose all issues of law and facts. The applicantassessee shall be cooperative, interactive, fair and bonafide while negotiating for resolution. The applicant-assessee shall be liable to pay any taxes, if due as a result of negotiation with the time frame as decided in the ADR.

Procedures of Disposal by the Alternative Dispute Resolution [Sec. 302]

- Upon receiving the application of ADR, the Facilitator shall forward a copy of the application to the respective Deputy Commissioner of Taxes and also call for his opinion on the grounds of the application and also whether the conditions referred to in section 298 have been complied with.
- ☐ If the DCT fails to give his opinion regarding fulfillment of the conditions within fifteen days from receiving the copy mentioned in clause (c) of sub-section (3). the Facilitator may deem that the conditions thereto have been fulfilled.
- ☐ The Facilitator may-
 - notify in writing the applicant and the Commissioner of Taxes or the Commissioner's Representative to attend the meetings for settlement of disputes on a date mentioned in the notice;
 - if he considers it necessary to do so, adjourn the meeting from time to time;
 - call for records or evidence from the DCT or from the applicant before or at the meeting, with a view to settle the dispute; and
 - before disposing of the application, cause to make such enquiry by any income-tax authority as he thinks fit.
- ☐ The Facilitator will assist the applicant and the Commissioner's Representative to agree on resolving the dispute(s) through consultations and meetings.

Decision of the ADR [Section 304]

ш	A dispute, which is subject to this A
	wholly or in part where to this Act, may be resolved by an Agreement either
	determination of the facts or laws applicable in the dispute.
_	and the same applicable in the dispute.
	Where an agreement is reached as a second of the dispute.

	Where an agree
_	where all agreement is reached either while
	where an agreement is reached, either wholly or in part, between the assesse
	and the Commissioner's Representative, the Facilitator shall record, in writing
	Representative the Facilitator shall record in writing
	the details of the agreement in the manner as may be prescribed.
	the details of the agreement in the manner or most be manner of
	in the manner as may be prescribed.

\Box	The recording of
ш	The recording of every such agreement shall describe the terms of the agreement
	including a street shall describe the terms of the agreement
	including any tax payable or refundable and any other necessary and appropriate
	and any other necessary and appropriate
	matter, and the manner in which any sums due under the agreement shall be paid
	which any sums due under the agreement shall be paid
	and such other matters as the Facilitator may think fit to confirm effectiveness.
	matters as the racilitator may think fit to confirm effectiveness.

The agreement shall be void if it is subsequently found that it has been concluded
by fraud or misrepresentation of facts.

The	agreement	shall	be	signed	by	the	assessee	and	the	Commissioner's
Repr	resentative a	nd the	faci	litator.	•					

Where no agreement, whether wholly or in part, is reached or the dispute
resolution is ended in disagreement between the applicant-assessee and the
concerned Commissioner's Representative for noncooperation of either of the
parties, the Facilitator shall communicate it, in writing recording reasons thereof,
within fifteen days from the date of disagreement, to the applicant and the Board,
the concerned court, Tribunal, appellate authority and income tax authority, as
the case may be, about such unsuccessful dispute resolution.

Where the agreement is reached, recorded and signed accordingly containing
time and mode of payment of payable dues or refund, as the case may be, the
Facilitator shall communicate the same to the assessee and the concerned DCT
for compliance with the agreement as per provisions of this Act

No agreement shall be deemed have been reached if the Facilitator fails to make
an agreement within three months from the end of the application filling month.

Where there is a successful agreement, the Facilitator shall communicate the
copy of the agreement to all the parties mentioned in sub-section (6) within
fifteen days from the date on which the Facilitator and the parties have signed the
agreement.

Effect of Agreement [Section 305]

twithstanding anything contained in any provision of this Act, where a
eement is reached, under sub-section (9) of section 304, it shall be binding of
th the parties, and it cannot be challenged in any authority, Tribunal or cou
ner by the assessee or any other income tax authority.

Every agreement, concluded under section 304 shall be conclusive as to the
matters stated therein and no matter covered by such agreement shall, save as
otherwise provided in this Act, be reopened in any proceeding under this Act.

Limitation for Appeal Where Agreement is Not Concluded [Section 306]

Limitation for Appeal Where Agreement any provision of this Act, where anything contained in any provision of this Act, where anything contained in any provision of this Act, where anything contained in any provision of this Act, where anything contained in any provision of this Act, where Notwithstanding anything contains Chapter, wholly or in part, the assessee $\frac{a_h}{m_{ay}}$ agreement is not reached under this Chapter, wholly or in part, the assessee $\frac{a_h}{m_{ay}}$

- prefer an appeal to the Appellate Commissioner of Taxes or Appellate Additional to the Appellate Commissioner of Taxes (Appeals), as the case may be, where the dispute arises out of an order of a DCT;
- may be, where the dispute arises out of an order of to the Taxes Appellate Tribunal where the dispute arises out of an order of the tothe Taxes Appellate of Taxes or Appellate to the Taxes Appellate Commissioner of Taxes or Appellate Additional the Appenaic sommissioner of Taxes (Appeals), as the case may be; and
- may be; and

 to the respective appellate authority or court from where the assessee. applicant has got permission to apply for ADR.
- □ In computing the period of limitations for filing appeal, the time elapsed between the filing of the application and the decision or order of the ADR shall he excluded.

Explanation: For the purpose of this section, "prefer an appeal" means the revival of the appeal with an intimation in writing to the respective appellate authority.

Post Verification of the Agreement [Section 307]

The Board may monitor the progress of disposal of the application for ADR in the manner as may be prescribed and ensure necessary support and coordination services Copies of all agreement or matter of disagreement shall be sent by the Facilitator to the respective Commissioner and Board for verification and ascertainment of whether the agreement is legally and factually correct. After receiving the copy of agreement or matter of disagreement, if it appears to the Board that the alleged agreement is obtained by fraud, misrepresentation or concealment of fact causing loss of revenue. then such agreement shall be treated as void and the matter shall be communicated to the concerned authorities, Tribunal or court for taking necessary action.

Other ADR Provisions

- ☐ Stay of proceeding in case of pending appeal or reference at Appellate Tribunal or High Court Division [Section 303]: Where an assessee has filed an application for ADR for any income year and for the same income year, the DCT has filed an appeal before the Appellate Tribunal or the Commissioner has made a reference before the High Court Division and no decision has been made in that respect by the Appellate Tribunal or High Court Division as the case may be, the proceeding of such appeal or reference shall remain stayed till disposal of the application for ADR.
- Bar on suit or prosecution [Section 308]: No civil or criminal action shall lie against any person involved in the ADR process before any court, tribunal or authority for any action taken or agreement reached in good faith.

OFFENCES AND PROSECUTION

CLO 20.5

20.6

Part 22 of the ITA, 2023, enumerated the provisions regarding criminal offences and prosecutions. According to Section 310, the provisions of this part shall be applicable in the conduct of criminal offences without prejudice to the provisions of other Acts. The provisions of this Part shall operate independently without prejudice to any other order made or to be made under this Act and shall not be a defense to the non-issue of an order by reason of limitation of time or for any other reason.

Punishment for Non-Compliance of Certain Obligations [Section 311]

A person is guilty of an offence punishable with imprisonment for a term which may extend to one year, or with fine, or with both, if he, without reasonable cause, fails to furnish information or perform the following acts-

Ш	fails or refuses to furnish information	milet to at the state of
	200, 201, 204, or 205.	within the time as prescribed under section
	refuses to normit :	

refuses to permit inspection or to allow copies to be taken in accordance with the
provisions of section 202;
fails to perform the date

fails to perform the dutie	s required under section 204(2)
fails to co	s required under section 204(2)

fails to afford necessary 6 1111
fails to afford necessary facilities or to furnish the required information to an
income tax authority exercising power under section 205;
refuses to permit an including power under section 205;

ш	refuses to permit or in any manner obstructs the exercise of powers under section
	147 or 206 by an income tax authority;
	fails to comply with the sale

П	fails to comply	with the order made under section	116A(1)

Punishment for Tax Evasion [Section 312]

A person is guilty of an offence punishable with imprisonment for a term, which may extend to 5 years, but shall not be less than 6 months, or with fine, or with both, if he deliberately attempts to evade any tax payable under this Act by any means [Section 312(1).

A person shall be deemed to have deliberately attempted to evade the tax payable under this Act, if he-

	conceals	particulars	of income
_	conceans	particulars	or income:

	willfully	furnishes		information	about	assets,	liabilities.	and	expenses	to
_	reduce lia	ability to p	ay inc	ome tax;			,		enpenses	10

	furnishes any false statement in any return or any other documents under his
_	possession or control, which is connected with any proceeding under this Act;

furnishes	or	makes	any	false	information,	or	statement,	in	accounts	or	other
statement											

intentionally	omits	or	makes	any	relevant	information	or	statement	in	the
accounts or other statements; or										

takes any other initiative for the purpose of non-payment of income-tax payable
under this Act.

	E	
	person is guilty of an office years, but shall not be less than six months with fine, in the makes any such five years, but shall not be less than six months with fine. The makes any such five years, but shall not be less than six months with fine.	
	does not believe it to be drawing to the does not believe it to be drawing drawing to fan offence Punishment for fake certificate [Section 314]: A person is guitty of an offence punishment for fake certificate [Section 314]: A person is guitty of an offence punishment for fake certificate [Section 314]: A person is guitty of an offence punishment for fake certificate [Section 314]: A person is guitty of an offence punishment for fake certificate [Section 314]: A person is guitty of an offence punishment for fake certificate [Section 314]: A person is guitty of an offence punishment for fake certificate [Section 314]: A person is guitty of an offence punishment for fake certificate [Section 314]: A person is guitty of an offence punishment for fake certificate [Section 314]: A person is guitty of an offence punishment for fake certificate [Section 314]: A person is guitty of an offence punishment for fake certificate [Section 314]: A person is guitty of an offence punishment for fake certificate [Section 314]: A person is guitty of an offence punishment for fake certificate [Section 314]: A person is guitty of an offence punishment for fake certificate [Section 314]: A person is guitty of an offence punishment for fake certificate [Section 314]: A person is guitty of an offence punishment for fake certificate [Section 314]: A person is guitty of an offence punishment for fake certificate [Section 314]: A person is guitty of an offence punishment for fake certificate [Section 314]: A person is guitty of an offence punishment for fake certificate [Section 314]: A person is guitty of an offence punishment for fake certificate [Section 314]: A person is guitty of an offence punishment for fake certificate [Section 314]: A person is guitty of an offence punishment for fake certificate [Section 314]: A person is guitty of an offence punishment for fake certificate [Section 314]: A person is guitty of an offence punishment for fake certificate [Section 314]: A person is guitty of an offence pun	
	Punishment for failure to details? A person is guilty of an offence punishable Government Treasury [Section 315]: A person is guilty of an offence punishable with imprisonment for a term which may extend to one year, or with fine, or with with imprisonment for a term which may extend to one year, or with fine, or with both, if he, without reasonable cause, • fails to deduct or collect and pay any tax as required under the provisions of	
	Part VII: fails to deduct and pay tax as required under section 221(3) [Section 315(1)].	
	If the amount of tax deducted, collected, or paid does not exceed taka 25,000, the provisions of sub-section (1) shall not apply [Section 315(2)]. Where a person voluntarily deducts tax under sub-section (1) before being identified by the Income tax authority, no case shall be instituted against such person for failure to deduct, collect or pay tax within the stipulated time [Section 315(3)].	
	The fine mentioned in sub-section (1) shall be calculated at such a rate which shall not be less than taka 100 not more that taka 500 for each day during the continuous failure [Section 315(4)].	
	Punishment for furnishing fake audited statement subject to verification [Section 316]: A person is guilty of an offence punishable with imprisonment for a term which may extend to five years, but shall not be less than six months, if he furnishes along with the return of income or pursuant thereto any audited statement which is fake or false, or does not believe it to be true.	
	Punishment for Improper Use of Tax-payer's Identification Number [Section 317]: A person is guilty of an offence punishable with imprisonment for a term upto one year or with fine up to Tk. 100,000 or both, if he deliberately uses or used a fake TIN or a TIN of another person.	
0	Punishment for obstructing an income tax authority [Section 318]: A person who obstructs an income tax authority in discharge of functions under this act shall commit an offence punishable with imprisonment for a term not exceeding one year, or with a fine, or with both.	
	Punishment for Disposal of Property to Prevent Attachment [Section 319]. The owner of any property, or a person acting on his behalf or claiming under him, is	

guilty of an offence punishable with imprisonment for a term which may extend

	to five years
	to five years, or with fine, or with both, if he sells, mortgages, charges, leases or otherwise so deals with the arm
_	Joi Holl-compliance with it
	Sully Of an offence nunishable with imprisonment for a ferm
	of the vear or with fine or both if he without reasonable
	with the directions required under section 221(7).
_	Turnstiment for Instigation [Section 321]. A person is quilty of an offence
	parishable with imprisonment for a term which may extend to two years, or with
	fine, or both, if he knowingly aids, abets or insights or induces any other person
	to commit and offence under this Act.
_	Punishment for Disclosure of Protected Information [Section 322]: A public
	servant, or any person assisting, or engaged, by any person acting in the
	execution of this Act, is guilty and punishable with imprisonment for a term which may extend to 6 months, or with fine, or both, if he discloses any
	particulars or information in contravention of the provisions of section 309.
	Further enquiry and investigation, etc. For prosecution [Section 1694]: The
	Deputy Commissioner of Taxes, with prior approval of the Commissioner of
	Taxes, may make such enquiry and investigation, in addition to the enquiry
	already made under this Ordinance, as may be necessary for the purpose of
	prosecution of an offence under this Chapter or a tax related offence under
	Money Laundering Prevention Act 2012.
]	Sanction for Prosecution [Section 169]: No prosecution for an offence
	punishable under any provisions of this Chapter shall be instituted except with
	the previous sanction of the Board.
3	Power to Compound Offences [Section 170]: The Commissioner may, either
	before or after the institution of any proceedings or prosecution for an offence
	punishable under this Chapter, compound such offence.
r_:	al hu Cassial Judge (Cestion 171)
	al by Special Judge [Section 171]
]	Notwithstanding anything contained in the Code of Criminal Procedure, 1898 (Act V of 1898), or in any other law for the time being in force, an offence
	punishable under this Chapter, other than an offence under section 168, shall be
	tried by a Special Judge appointed under the Criminal Law Amendment Act,
	1958 (XL of 1958), as if such offence were an offence specified in the Schedule
	to that Act.
7	A Special Judge shall take cognizance of, and have jurisdiction to try, an offence
3	trialable by him under sub-section (1) only upon a complaint in writing made,

after obtaining the sanction under 169, by the Deputy Commissioner of Taxes who is competent to make assessment under this Ordinance in the case to which the offence alleged to have been committed relates, and
 whose office is situated within the territorial limits of the jurisdiction of the

Special Judge.

EXHIBIT

Summary of Relevant Penalty Provisions

Nature of Default

Failure to deduct/collect tax at source, to deposit such tax into national exchequer [Sec 143]

Failure to give notice to the DCT regarding the discontinuance of business [Section - 191(4)]

Failure to keep, maintain or furnish information, documents, or records to the DCT as per Sec. 237

Failure to comply with the notice or requisition u/s 235 in computing arm's length price [Section 276]

Failure to comply with Sec 238 in filing statement of international transactions [Section - 278]

Failure to furnish report from a CA or CMA under Section - 239 [Section - 279]

Failure to maintain accounts in prescribed manner as per Section - 72(3) (assesse does not have rental income of tangible property) [Sec. 267 (1)]

Failure to maintain accounts in the prescribed manner as per Section - 72(2) (assessee has income of tangible property) [Section - 267(2)]

Failure to file return U/s 166, 172, 191, 193 or 212 [Section 266(1)]

Failure to file return, certificate, statement or information required U/s 177, 145, 200 [Section 266 (2)].

2% of the amount of tax to be deducted, collected or deposited per month

Maximum the amount of tax assessed for the immediately preceding tax year

At best 1% of each international transaction value

At best 1% of each international transaction value

At best 2% of each international transaction value

Maximum BDT 300,000

- Maximum 1.5 times of tax liability
- Maximum BDT 100, where the total income is below the amount on which tax is not chargeable

Higher of (a) 50% of taxes payable on house property income or (b) BDT 5.000

- 10% of tax imposed on last assessed income subject to a minimum of Tk. 1,000
- · Continuing default: additional penalty Tk. 50 per day during which the default continues.

Penalty shall not exceed:

- For individual whose income was not assessed previously - Tk. 5.000
- For individual whose income was assessed previously: higher of 50% of the tax payable on the last assessed income or Tk. 1,000
- Sec 177 non-compliance Higher of 10% of the tax imposed on last assessed income or Tk. 5,000; for continuing default, a further penalty of Tk. 1,000/- for every month or fraction thereof during which the default continues;
- Sec 145 non-compliance Upto Tk. 5,000; for continuing default, a further penalty of Tk 1,000/- for every month or fraction thereof

during which the default continues; Sec 200 non-compliance - a penalty of Tk. 50,000, and in case of continuing default, a further penalty of Tk. 500/- for the default period. Penalty for using fake TIN [Sec 268] Not exceeding Tk. 20,000/-Failure to pay advance tax [Sec 269] Maximum the amount of shortfall Failure to comply with statutory notices issued under sections 167, 168, 179, 181, 183, or 212 An amount not exceeding the tax chargeable on the [Section 270] total income. Failure to pay tax on the basis of return [Section] Not exceeding 25% of the total or unpaid tax, as the 271]. case may be Concealment of income or furnishing inaccurate • 15% of the evaded tax or the value of the narticulars thereof or understatement of the sale property, as the case may be. If concealment detected after 1 year: Additional value of immovable property [Section 272]. 10% for each preceding year Incorrect or false audit report [Section 273] Minimum: BDT 50,000; Maximum: BDT 200,000 Default in payment of tax [Section 275] Maximum amount of arrear tax

KEY POINTS

- Penalty is imposed for non-compliance with the provisions relating to income tax as per the Income Tax Act, 2023.
- ☐ Penalty is in addition to any other liability.
- □ No one can be penalized unless he/she has been heard or has been given a reasonable opportunity of being heard.
- ☐ The DCT shall not impose any penalty without prior approval of the Inspecting Joint Commissioner of Taxes except in case of failure to file return.
- ☐ An assessee may prefer an appeal to the Appellate Joint Commissioner of Taxes against the order of the Deputy Commissioner of Taxes in specific grounds.
- ☐ Appeal to the Appellate JCT should be made in prescribed manner, within specific period (generally 45 days) and with a fee of Tk. 200.
- Any appeal against the order of the Tax Recovery shall be filed within 30 days from the date of service of the order.
- ☐ An assessee or the DCT can appeal against the order of AJCT or Commissioner
- Appeal to the Appellate Tribunal should be filed in prescribed manner, within specific period (generally 60 days) and with a fee of Tk. 1,000.
- To resolve any question of law, the assessee or the commissioner may apply to the High Court Division in prescribed manner, within 90 days and with a fee of Tk. 2,000.

Bangladesh Income Tax - Theory and Practice

		.05		IFS	LIOMA	•
 TIOL	CHO	IC:E	OL.	,	-14	

W	OLINE		in to impose per	,,,,,
	0	who has the	authority to impose per	(

(b) Appellate Tribunal Generally, who

(d) Tax Recovery Officer

(c) Deputy Commissioner of Taxes
Penalty shall not be imposed without the previous approval of the Inspecting Joint Commissioner

except in the cases of-(a) not maintaining accounts as required (b) failure to file return

(d) noncompliance with notice

(c) failure to furnish certificate

Where the assessment of tax was made by the assessee himself and it was accepted by the DCT as correct although the assessee conceal income, the maximum penalty would be

(a) 2.5 times of avoided tax

(d) 10% of avoided tax

(c) 4 times of avoided tax

Where any person has, without reasonable cause, failed to comply with any notice issued in produce accounts and documents, a penalty may impose not exceeding the amount of -

(a) 2.5 times of tax liability

(c) tax liability on total income

(d) none of these

5. Penalty is 25% of unpaid tax liability when the assessee -

(a) not maintaining accounts as required

(b) fail to pay tax on the basis of return (d) does not comply with notice

(c) fail to furnish certificate

When the assessee is not satisfied with the order of the Deputy Commissioner of Taxes, he/she may prefer an appeal to the -KEY PUTT

(a) Appellate Joint Commissioner of Taxes

(b) High Court Division

(c) any other head except speculation business (d) none of these 7. A company can appeal against the order of the DCT in the following grounds except -

(a) the amount of loss computed

(b) imposition of interest under section 162

(c) refusal to allow a claim to a refund

(d) imposing of penalty for failure to file return

8. Every appeal to Appellate Joint Commissioner shall be drawn up in such form and verified in such manner as may be prescribed and shall be accompanied by a fee of -

(a) Tk. 500

(b) Tk, 400

(c) Tk. 300

(d) Tk. 200

9. How many days are allowed for any appeal against TRO's order from the date of serving the order? (c) 80 days (d) 90 days (a) 60 days (b) 30 days

10. An assessee may appeal to the Appellate Tribunal if he is aggrieved by an order of -

(a) an AJCT or CT (appeals)

(b) the DCT

(c) Appellate Division

(d) High Court Division

TRUE (T) OR FALSE (F) IDENTIFICATION

1. Penalty substitute tax liability.

2. No penalty can be imposed without hearing.

Like an assessee, the DCT can also appeal to the Appellate Tribunal.

4. An appeal to the Appellate Tribunal should be made within 90 days from the date when the order is communicated with the assessee.

A bench is formed in the High Court Division for hearing with at best two judges.

DT DF OT OF DT OF OT OF

OT OF

DISCUSSION QUESTIONS (DQ)

DQ20.1 State the grounds for which an assessee may penalize according to Income Tax Act, 2023

DO20.2 Describe how an assessee file his/her appeal and how the Appellate Joint Commissioner of Taxes undertake appeal procedure

Describe the provisions relating to appeal to the Appellate Tribunal. DO20.3

"Penalty to be without prejudice to other liability" - explain, DO20.4

Miss Afroza Rahman is a regular taxpayer who is aggrieved by an order placed by the DO20.5 Deputy Commissioner of Taxes where she was penalized Tk. 9,750 for not maintaining accounts in the prescribed manner and Tk. 22,000 for concealment of income. Miss Rahman likes to appeal against such orders and asked for your help. Answer the followings questions asked by Miss Rahman.

(a) Under what circumstances can an assessee other than a company prefer an appeal?

(b) To whom Miss Rahman should place the appeal?

(c) When and how should she place the appleal?

(d) What penalty provision is applicable for Miss Rahman's offences?

DQ20.6 State under what circumstances an assessee prefer an appeal to the Appellate Joint Commissioner of Taxes, if the assessee is, (a) not a company (b) a company.

DQ20.7 Explain the punishment for improper use of TIN Number, furnishing fake audit report, unauthorized employment of a non-Bangladeshi citizen, and obstructing an income tax authority

DQ20.8 Write short note on: \square Penalty for non-compliance with notice \square Penalty for failure to file return ☐ Appeal to Appellate Division ☐ Reference to the High Court Division

ANSWERS

MUL	TIDI	F CI	1010	F OI	IEST	IONS	5					TRU	JE/FA	ALSE
MUL	71111	2	4	5	6	7	8	9	10	1	2	3	4	5
1			-4				_ _	h		F	T	T	F	F
c	b	d	С	b	<u>a</u>	u	u							

SELF - REVIEW 20.1

Mr. Ahmed will be penalized according to Section 266(1) of the Income Tax Act, 2023 and the amount of penalty will be Tk. 2,950 in the said year because of his failure to file return.

Calculation of penalty: = Tk. 2,20010% of Tk. 22,000* = Tk. 2,200= Tk. 1,000or minimum = Tk. 200Plus $(50 \times 4) = Tk. 200**$ for default period = Tk. 2,400Total

* Tax imposed on last assessed income of Tk. 620,000 [(350,000 \times 0%) + (100,000 \times 5%) + $(170,000 \times 10\%)$] = Tk. 22,000

** The last date of return submission is November 30, He made delay of 4 days [from Dec (%) 2023 to Dec (44, 2023) to submit the return

SELF REVIEW 20.2

- Similarities

 In both cases appeal should made in prescribed form and verified in prescribed
- manner

 Both the appeal shall file within 60 days from the date of order against which the Both the appeal shall the will the authority is satisfied that there was sufficient appeal sought to be made. But if the authority is satisfied that there was sufficient appeal sought to be made but it is appeal within that period then may admit an appeal cause for not presenting the appeal within that period then may admit an appeal after expire of 60 days.

Dissimilarities

In case of appeal to the Appellate Joint Commission of taxes a fee of Tk. 200 and in case of appeal to the Appellate Tribunal Tk. 1,000 need to be accompanies with the application of appeal To file an appeal to the Appellate Tribunal the assessee should pay 10% of (tax based on return tax determined by the Appellate Joint Commissioner of taxes). On the other hand, no such requirement is there to file an appeal to the Appellate Joint Commissioner of taxes.



DTA and Tax Planning

"Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism but peace, easy taxes, and a tolerable administration of justice: all the rest being brought about by the natural course of things."

- Adam Smith

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

CLO 21.1 understand the concept of DTA

CLO 21.2 apply the methods of DTA

CLO 21.3 evaluate the implications of DTA in Bangladesh

CLO 21.4 understand the concept of tax planning

CLO 21.5 list general principles of tax planning

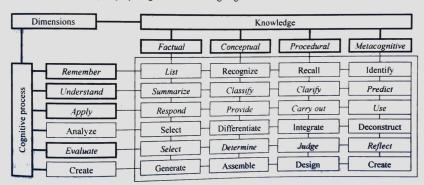
CLO 21.6 apply techniques and methods of tax planning in BD

KEY TERMS

Double Taxation, DTA, Exemption. Tax evasion, Tax Sparing, avoidance, Tax planning

Bloom's Taxonomy

This chapter covers (italic) the entire knowledge dimension and the four levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



CLO

21.1

21.2

21.3

DOUBLE TAXATION RELIEF/AVOIDANCE AGREEMENT **DOUBLE TAXATION** RELIEF guarded jurisdiction of any nation Fiscal jurisdiction is often the most aggressively guarded jurisdiction of any nation when economies are going global and borders. Fiscal jurisdiction is often the most aggressive going global and borders fading.

Therefore, even in times when economies are going global and borders fading. Therefore, even in times when economics and capital, double taxation is still one leading to liquid movement of goods, services and capital, double taxation is still one leading to liquid movement of goods, set like the development of inter-country economic relations, of the major obstacles to the development accommodate the claims of other of the major obstacles to the development of the dev Nations are often forced to negotiate and the means of double taxations within their heavily guarded fiscal jurisdiction by the means of double taxation within their heavily guarded fiscal jurisdiction by the means of double taxation within their heavily guarded fiscal jurisdiction by the means of double taxation within their heavily guarded fiscal jurisdiction by the means of double taxation within their heavily guarded fiscal jurisdiction by the means of double taxation within their heavily guarded fiscal jurisdiction by the means of double taxation within their heavily guarded fiscal jurisdiction by the means of double taxation within their heavily guarded fiscal jurisdiction by the means of double taxation within their heavily guarded fiscal jurisdiction by the means of double taxation within their heavily guarded fiscal jurisdiction by the means of double taxation within the properties of the means of double taxation within the properties of the means of double taxation within the properties of the means of the within their heavily guarded listed John the barriers to international trade. The avoidance agreements (DTAA), to bring down the barriers to international trade. The avoidance agreements (DTAA), to bring a voidance agreement (DTAA), to bring a voidance agreeme Fiscal Committee of OECD in the phenomenon of international juridical double taxation and Capital, 1977, defines the phenomenon of international juridical double taxation. and Capital, 1977, defines the phenomena in two or more states on the same taxpayer in as 'the imposition of comparable taxes in two or more states on the same taxpayer in respect of the same subject matter and for identical periods'.

Generally, the DTAA is a tax treaty signed between two or more countries to help denerally, the DTAA is a ball taxes on the same income. A DTAA is applicable in cases where an individual is a resident of one nation but earns income in another DTAAs can be either be comprehensive, encapsulating all income sources, or limited to certain areas, e.g., taxing of income from shipping, inheritance, air transport, etc. Double tax treaties comprise of agreements between two countries to eliminate international double taxation, that promote exchange of goods, persons, services, and investment of capital. These are bilateral economic agreements where the countries concerned evaluate the sacrifices and advantages which the treaty brings for each contracting state, including tax forgone and compensating economic advantages.

Avoidance of Double Taxation Agreement is an agreement between two countries seeking to avoid double taxation by defining the taxing rights of each contracting state about cross-border flows of income and providing for tax credits or exemptions to eliminate double taxation. It also provides for exchange of information between treaty partners regarding evasion of tax.

Classification of Double Taxation Agreements

DTAA, depending on their scope, can be classified as Comprehensive and Limited. Comprehensive Double Taxation Agreements provide for taxes on income, capital gains and capital, while Limited Double Taxation Agreements refer only to income from shipping and air transport, or estates, inheritance and gifts. Comprehensive agreements ensure that the taxpayers in both the countries would be treated equally and on equitable basis, in respect to problems relating to double taxation.

Objectives of Double Taxation Agreements

The object of a Double Taxation Avoidance Agreement is to provide for the tax claims of two governments both legitimately interested in taxing a particular source of income either by assigning to one of the two the whole claim or else by prescribing the basis on which tax claims is to be shared between them. The need and purpose of

tax treaties has been summarized by the OECD in the 'Model Tax Convention on Income and on Capital' in the following words:

It is desirable to clarify, standardize, and confirm the fiscal situation of taxpayers who are engaged, industrial, financial, or any other activities in other countries through the application by all countries of common solutions to identical cases of double taxation.

The intent behind a Double Tax Avoidance Agreement is to make a country appear as an attractive investment destination by providing relief on dual taxation. This form of relief is provided by exempting income earned in a foreign country from tax in the resident nation or offering credit to the extent taxes have been paid abroad. Hence, the objectives of DTA agreements can be enumerated in the following words:

- ☐ First, they help in avoiding and alleviating the adverse burden of international double taxation, by
 - laying down rules for division of revenue between two countries;
 - exempting certain incomes from tax in either country;
 - reducing the related tax rates on certain incomes taxable in either country.
- ☐ Secondly, tax treaties help a taxpayer of one country to know with greater certainty the potential limits of his tax liabilities in the other country.
- ☐ In third, another benefit from the tax-payers stance is that, to a substantial extent, a tax treaty provides against non-discrimination of foreign tax payers or the permanent establishments in the source countries vis-à-vis domestic tax payers.

Methods of Eliminating Double Taxation

The objective of double taxation avoidance can be achieved through tax treaties employing various methods or a combination of -

- ☐ Exemption Method: One method of avoiding double taxation is for the residence country to exclude all foreign income from its tax base. The country of source is then given exclusive right to tax such incomes. This is known as complete exemption method and is sometimes followed in respect of profits attributable to foreign permanent establishments or income from immovable property.
- ☐ Credit Method: This method reflects the underline concept that the resident remains liable in the country of residence on its global income, however as far the quantum of tax liabilities is concerned credit for tax paid in the source country is given by the residence country against its domestic tax as if the foreign tax were paid to the country of residence itself.
- ☐ Tax Sparing: One of the aims of the Bangladesh Double Taxation Avoidance Agreements is to stimulate foreign investment flows in Bangladesh from foreign developed countries. One way to achieve this aim is to let the investor to preserve to himself/itself benefits of tax incentives available in Bangladesh for such investments. This is done through "Tax Sparing". Here the tax credit is allowed by the country of its residence, not only in respect of taxes actually paid by it in Bangladesh but also in respect of those taxes Bangladesh forgoes due to its fiscal

incentive provisions under the Bangladesh Income Tax Ordinance. Thus, lax incentive provisions under the banguard and regular tax credit to taxes that are sparing credit is an extension of the normal and regular tax credit to taxes that are sparing credit is an extension of the sparing credit is a sparing credit in the sparing credit is a sparing intention of providing incentives for investments.

The regular tax credit is a measure for prevention of double taxation, but the tax The regular tax credit is a inclusion of the source country to the investor in the sparing credit extends the relief granted by the source country to the investor in the sparing credit extends the reflect games of an incentive to stimulate foreign investment η_{0w_0} residence country by the way of an incentive to stimulate foreign investment η_{0w_0} and does not seek reciprocal arrangements by the developing countries.

Double Taxation Avoidance Agreements - Bangladesh Status

According to section 244 of the ITO, 1984, the Government may enter into an agreement with the Government of any other country for the avoidance of double taxation and the prevention of fiscal evasion with respect to income tax and under the corresponding law in force in that country, and may, by notification in the official Gazette, make such provisions as may be necessary for implementing the agreement

EXHIBIT

21.1

Countries with DTA Agreement

- United Kingdom of Great Britain and Northern Ireland [227-L/80](08/07/1980)[01/07/1978]
- Singapore [124-L/82](21/04/1982)[01/01/1980] Sweden [382-L/83](19/10/1983)[01/07/1984]
- Republic of Korea [433-L/84](2/10/1984)[1/7/1984] Turkey [308-L/2005](31-10-2005)[01-07-2005]
- Canada [247-L/85](06/06/1985)[01/07/1982]
- Pakistan [221-L/88](11/07/1988)[01/01/1980]
- Romania [348-L/88](23/11/1988)[01/07/1989] Sri Lanka [365-L/88](10/12/1988)[01/07/1989]
- France [2-L/89](04/01/1989)[01/07/1989]
- Malaysia [67-L/90](15/02/1990)[01/01/1982]
- " Japan [235-L/91](06/08/1991)[01/07/1992]
- India [45-L/93](27/02/1993)[01/07/1993]
- Germany [1-L/94](01/01/1994)[01/01/1990]
- Italy [63-L/97](12/03/1997)[01/07/1980]
- Denmark [72-L/97](17/03/1997)[01/07/1997] China [114-L/97](13/05/1997)[01/07/1998]
- Poland [39/L/99](03/03/1999)[01/07/2000]
- Maldives [190-L/IT/2022](23/12/21)[01/07/22]
- Iran [40-L/IT/2023](08-10-2022)[12-02-2023]
- Oman [16-L/2009](10-05-2008)[02-02-2009]

- Belgium [11-L/98](14/01/1998)[01/07/1998]
- Thailand [222-L/98](07/09/1998)[01/07/1999]
- Philippines [56-L/2004](04-03-2004)[01-07-2004]
- Vietnam [301-L/2004](18-10-2004)[01-07-2005]
- Norway [20- L/2006](12-02-2006)[01-07-2006]
- USA [71-L/2007](10-05-2007)[01-07-2007]
- Indonesia [60-L/2007](26-04-2007)[01-07-2007]
- Switzerland [52-L/2010](10-12-2007)[01-07-2010]
- Oman [16-L/2009](02-02-2009)[01-07-2009]
- Mauritius [267-L/2024](09-04-2024)[01-07-2012] Myanmar [313-L/2012](18-10-2012)[01-07-2012]
- Saudi Arabia [103-L/2012]15-04-2012)[01-10-2011] ■ UAE [313-L/2012](05-09-2012)[01-07-2012]
- The Netherlands [268-L/24](12/3/2024)[4/6/2024] Belarus [189-L/2014](08-07-2014)[01-06-2014]
 - Bahrain [301-L/2017](09-10-2017)[16-10-2017]
 - Czech Rep. [304-L/2020](11-12-2019)[10-11-2020]
 - Morocco [139-L/2021](28-02-2018)[27-05-2021]
 - Nepal (Agreement signed on 05-03-2019)
 - Kuwait [376-L/2018](19-02-2014)[25-12-2018]
 - Hong Kong [11-L/2024(30-08-2023)[14-01-2024]

Note: The list presents country name [SRO No.] (Agreement signing date) (SRO date) [Effective assessment year,

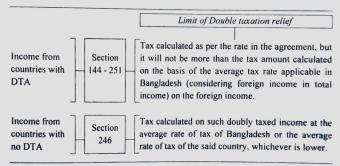


The objectives of Bangladesh DTA are as follows:

- $\hfill \Box$ to obtain a more effective relief from double taxation compared to relief provided under unilateral measures;
- ☐ create a favorable climate for the inflow of foreign investment into the country;
- to prevent evasion and avoidance of tax \square to make special tax incentives provided by Bangladesh fully effective for taxpayers of capital exporting countries; and
- □ to enhance international relationship.

-Bangladesh has signed DTA with 42 countries (see exhibit 21.1): UK, Singapore. Sweden, Canada, South Korea, Pakistan, Romania, Sri Lanka, France, Malaysia, Japan, India, Germany, Netherlands, Italy, Denmark, China, Belgium, Thailand, Poland, Philippines, Vietnam, Turkey, Norway, USA, Indonesia, Switzerland, Oman, Mauritius, UAE, Myanmar, Saudi Arabia, Belarus, Bahrain, Czech Republic, Morocco, Nepal, Maldives, Iran, Oman, Kuwait, and Hong Kong] till June 30, 2024. Negotiation is going on with some other countries like Egypt, Russia etc.

The foreign income of an assessee for which tax has been paid in that foreign country, is known as "Doubly taxed income". According to section 244 - 251 of the ITA 2023, the provision for tax reliefs regarding this income are as follows:



Contents of a DTA between Bangladesh and Another Country

The Bangladesh model of Avoidance of Double Taxation Agreement generally consists of 29 Articles that are sequentially presented below:

	The state of the s		
	1	16.	Director's Fees
Ť	Persons Covered	17.	Artists and Sportsmen
2	Taxes Covered		Pensions
ą	General Definitions		Government Service
4	Resident	20	Students and Trainees
5	Permanent Establishment		Lecturers and Researchers
ħ	Income from Immovable Property		Other Income
~	Business Profits		Elimination of Double Taxation
8	Shipping and Air Transport		Non-Discrimination
Q	Associated Enterprises	_	Mutual Agreement
10.	Drvidends		Exchange of Information
11	Interest		
12.	Royalties	27.	Diplomatic Agents and Consular Officers
13	Fees for Technical Services		Entry into Force
14	Independent Personal Services	29.	Termination
	Dependent Personal Services		

SOLVED PRACTICAL CASES (SPC)



FOREIGN INCOME FROM COUNTRIES WITH DTA AND WITH NO DTA

Total income of Mr. Aslam for the current income year includes income from: Bangladesh Tk. 1,570,000; Sweden Tk. 600,000; Singapore Tk. 300,000; and Russia Tk 1,000,000. The income tax rate for foreigners in Sweden is 30%, but he has paid tax @ 25% as per DTA, 20% tax has been paid in Russia for the income generated in Russia. The income of Singapore has been brought in Bangladesh through banking channel. Compute the amount of double taxation relief for the year.

Assessee: Aslam	Assessment \	(ear: 2024 - 2025	Income Year: 2023 - 2024		
		Gross Income	Exemption	Taxable	
Income from Bar	ngladesh	Tk. 1,570,000		Tk. 1,570,000	
Foreign Income:	Income from Sweden	600,000	-	600,000	
	Income from Russia	1,000,000	-	1,000,000	
	Income from Singapore	300,000	Tk. 300,000		
Total		Tk. 3,470,000	Tk. 300,000	Tk. 3,170,000	

Computation of tax payable in Bangladesh

	On first Tk.			On next	Tk.		On Total Tk.
	350,000	100,000	400,000	500,000	500,000	1,320,000	3,170,000
Tax rate	(J ⁰ /6	5%	10%	15%	20%	25%	
Tax amount (Tk.)	•	5,000	40,000	75,000	100.000	330,000	550,000
Less: Double taxat	ion relief (not	es)				354,000	294,880
Net tax payable							Tk. 280,120
							TK. 200,12

Notes: (1) Average tax rate is 17.35% [i.e. (550.000 - 3.170.000) - 100] (2) Fax relief for income from Russia Notes: (1) (a) 20% or average tax rate i.e. 17.35% whichever is lower (1.000.000 × 17.35%) = Tk 173.500. Tax [No DTA] income from Sweden (DTA exists) = (600,000 × 15%,000 but the maximum limit is (600,000 × 15%,000 but the maximum limit is (600,000 relief from the relief from the relief from the maximum limit is (600.0 17.35%) = Tk. 104.100; whichever is lower Total double favation relief (173.500 - 104.100) Tk. 277.600

CLO

21.4 21.5

21.6

TAX PLANNING: CONCEPT AND MEANING

As we know that, tax is a compulsory payment to the state by the people of the country who come under the orbit of tax laws. But most of the assessee generally tries to minimize his tax payment through evasion as well as avoidance. Unfortunately, the terms "tax evasion" and "tax avoidance" are often used interchangeably. Tax avoidance is the legal utilization of the tax regime to one's own advantage, in order to reduce the amount of tax that is payable by means that are within the law. By contrast tax evasion is the general term for efforts to not pay taxes by illegal means. On the other hand, tax planning is a strategy of minimizing tax liability for an individual or company by analyzing the tax implications of various options throughout a tax year. Tax planning involves choosing a filing status, figuring out the most advantageous time to realize capital gains and losses, knowing when to accelerate deductions and postpone income or vice versa, setting up a proper investment plan to avail the maximum amount of tax rebate and reduce income taxes, and other legitimate taxsaving moves.

Tax planning involves conceiving of and implementing various strategies in order to minimize the amount of taxes paid for a given period. For an assessee, minimizing the tax liability can provide more money for expenses, investment, or growth. Tax knowledge has powerful profit potential. Knowing what the tax law has to offer can give an assessee a far better bottom line than his competitors who don't bother to learn. It emphasizes mainly on tax relief related activities with a view to minimizing the tax liability. In Bangladesh, the tax laws are admittedly complicated because of various deductions, exemptions, relief, and rebates. Therefore, it is only logical that taxpayers generally plan their affairs so as to attract the least incidence of tax.

General Principles of Tax Planning

There are several general principles of tax planning that apply to all sorts of assessee. These areas include the choice of accounting and inventory-valuation methods, the timing of equipment purchases, the spreading of business income among family members, and the selection of tax-favored benefit plans and investments. There are also some areas of tax planning that are specific to certain business forms—i.e., sole proprietorships, partnerships, corporations, and individual assessee. Some of the general principles of planning are:

☐ Tax planning strategy should be taken on the basis of existing provisions of the tax laws to achieve short-term as well as long-term benefits.

☐ Tax planning strategy should not exceed the legal boundary i.e., it may be used as a tool of avoiding tax, not to evade since evasion is illegal.

682

683

☐ Alternative investment opportunities should be critically analyzed to ensure savings, growth, and tax adverses maximum benefit in terms of investment, savings, growth, and tax advantage maximum benefit in terms of incession proper importance while establishing the tax planning strategies.

Merits and Demerits of Tax Planning

Any Income Tax Act is seldom drafted with perfection and often are there scopes for Any Income Tax Act is send in a serious that the legal enjoying the maximum benefits by avoiding the hardship of levy within the legal framework. The law allows various deductions, exemptions, rebates, reliefs etc. framework. The law allows full these by the assessee. Moreover, it may have some demerits as well.

Techniques and Methods of Tax Planning: Bangladesh Perspective

The Income Tax Act, 2023, provides sufficient rooms for the assessee to minimize their tax through establishing several techniques. Many aspects of tax planning are specific to certain nature of taxpayer or business forms, such as:

Techniques used by an Individual Assessee

Under the umbrella of ITA, 2023, an individual assessee can minimize his payment of tax considering the following strategies in course of his tax planning:

☐ Investment in Tax free Securities: An individual may invest his money in several types of tax-free government securities, as the interest income from such securities are fully exempted from tax. So, the investment in government securities will allow the taxpayer to increase the amount of income without any obligation of tax payment for such income.

EXHIBIT

21.2

Merits and Demerits of Tax Planning

Merits of tax planning

- Effective tax planning reduces the tendency of tax evasion by the assessees. It helps the assessee to minimize the tax liability.
- It helps the assessee to enhance savings which in turn also acts as a mechanism of domestic resource
- It helps to build up an effective and efficient relationship between the taxpayer and tax authority. Effective tax planning improves the tax compliance behavior of an assessee.

Demerits of tax planning

- Frequent changes in tax law sometimes make some tax planning motive ineffective. Effective tax planning has a negative impact in fulfilling the revenue target of the tax authority.
- Long-term tax planning strategy may not be effective due to various changes in tax laws as well as



Define Tax Planning.

Investment in Zero Communication
Investment in Zero Coupon Bond: An individual may invest his money in approved zero-coupon bonds issued by
approved zero-coupon bonds issued by various institutions, as the interest
incomes from such bonds are fully exempted from tax. This is also one of the most unique tools to maximize income without any obligation of tax payment.
to maximize income without any obligation of tax payment

Investment in savings certificate: An individual assessee may invest his fund in various government savings certificate. The TDS deducted is considered as final payment of tax, so no additional burden is borne by the assessee.
burden is borne by the assessee.

Investment in Businesses, income from which is non-assessable: An individual assessee may start such business where the income is fully non-assessable. Such as, income from poultry, handicrafts business etc.

Use of loan in investment in capital assets. An individual assessee may use loan to acquire capital assets for the business. In such a case he will not only charge depreciation as allowable expense as well as the interest on such loan.	
as well as the interest on such loan.	

Submission of separate return by the family members: In a joint family, even in
case of husband and wife if the second members: In a joint family, even in
case of husband and wife, if they submit separate tax return they can avail
maximum advantage of minimum non-assessable income limit which is (Tk.
1 K. 400,000) = 1 K. 750,000 in the assessment year 2024.25
moreover, income from family property / joint owned property should be divided
among the family members. This will reduce the tax burden for an individual.

Taking the opportunity of full tax credit: An individual assessee should predict his / her total income for the next income year to determine the maximum limit of his investment allowance. Then, the assessee should invest in such a manner so that he can make his investment allowance more or less up to the maximum limit. The assessee will get repate for the eligible amount of investment allowance.
The assessee will get rebate for the eligible amount of investment allowance.

Techniques used by a Business

Under the umbrella of the provisions of the ITA, 2023, a business organization, being an assessee, can minimize its payment of tax considering the following strategies in course of its tax planning:

☐ Forms of Business: Partnership firms and the companies need to pay tax separately, whereas profit of the sole-tradership business is included in the income of its owner. Some business organization can avail tax holiday scheme.

Bangladesh Income	Tax - Theory and the
	and some sectors enjoy special tax rates. So before starting the business, the entrepreneurs should consider the tax policy for a particular business.
	Setting up recognized funds: An organization can create recognized provident fund, group insurance scheme, benevolent fund, superannuation fund etc. which is a mechanism to avail tax advantage.
0	Availing investing opportunity having tax advantage: An organization can investing the inthose areas where it can avail some tax advantage.
	Use of debt capital: Use of debt capital in the capital structure of an organization may be advantageous for a company as interest expense is tax deductible.
0	Investment in Business having Tax Holiday Scheme: Money can be invested in those organizations where tax holiday facility can be availed.
has	it can be said that an effective and efficient tax planning is possible if the assessee a proper knowledge about the tax law of a country. Careful planning may provide assessee with maximum tax advantage.
KEY POINTS	
	The Double Tax Avoidance Agreement (DTAA) is a tax treaty signed between two or more countries to help taxpayers avoid paying double taxes on the same income.
. 0	A Double Tax Avoidance Agreement becomes applicable in cases where an individual is a resident of one nation but earns income in another.
	Double taxation avoidance agreements, depending on their scope, can be classified as Comprehensive and Limited.
	The intent behind a Double Tax Avoidance Agreement is to make a country appear as an attractive investment destination by providing relief on dual taxation.
	As on June 30, 2024, Bangladesh has signed DTA with 42 countries.
	Tax avoidance is the legal utilization of the tax regime to one's own advantage, in order to reduce the amount of tax that is payable by means that are within the law.
	law.
	Tax evasion is the general torm for the
0	Tax evasion is the general term for efforts to not pay taxes by <i>illegal</i> means. Tax planning is a strategy of minimum to not pay taxes by <i>illegal</i> means.
	Tax evasion is the general torm for the

MILTIPLE CHOICE QUESTIONS

141-)					
1.	Double taxation agreeme	nt is	conducted under wh	siah .	-6.1				
1.	Double taxation agreeme (a) 221	(b)	217	nen (of the following sect	ion o	of the ITA, 2023		
2	Tax on foreign income a	risin	g from a country	(c)	224	(d)	244		
2.	Tax on foreign income a (a) a rate in the agreement	ent	S nom a country who	ere E	Bangladesh has signe	d DT	ΓA is at –		
	(c) exempted			(b)	an average rate				
	(c) exempted								
3.	Tax on loreign income in	om	a country where Ban	Bangladesh has not signed DTA is at					
						haca	id country		
	(c) an average rate of B	angl	adesh						
4.	If foreign income is not	orou	gnt through banking	char	anal the mate of	211.1			
	(a) maximum rate	(b)	normal rate	(0)	anci, the fate of tax w				
e	As on June 30, 2024, Ba	ngla	desh has signed DT	(0)	average rate	(d)	zero rated		
5.	(a) 21	(h)	30				countries.		
	which of the following			(c)	42	(d)	45		
6.	Which of the following	(L)	oils is relevant to D.I.						
	(a) 240	. ,	244	(c)	124	(d)	220		
7.	Which of the following								
	(a) Tax evasion	(b)	Tax avoidance	(c)	Tax planning	(d)	Tax consultance		
8.	What amount of dividen	d inc	come from shares is	exem	noted for an individua	al as	sessee?		
	(a) Tk. 15,000	(b)	Tk. 25,000	(c)	Tk 35 000		Nil		
9.	What is the non-assessal	ole li	imit for an individual	l acce	essee for assessment	(u)	2024 20259		
/.	(a) Tk. 250,000	(b)	Tk. 300,000	(c)	The 250 000	year	ZUZ4 - ZUZ3:		
10	What is the non-assessal	ale li	imit for a woman ass	(0)	1 K. 330,000	(a)	1 K. 4 / 5,000		
10.	(a) Tk. 250,000	(h)	The 200 000						
	(a) 1 K. 250,000	(0)	Tk. 300,000	(c)	Tk. 350,000	(d)	Tk. 400,000		

TRUE (T) OR FALSE (F) IDENTIFICATION

- 1. DTA is applicable for reducing tax burden.
- 2. The intent behind a Double Tax Avoidance Agreement is to make a country appear as an attractive investment destination by providing relief on dual taxation.
- 3. Tax evasion is the general term for efforts to not pay taxes by illegal means.
- 4. Tax avoidance is illegal.
- 5. Effective tax planning reduces the tendency of tax evasion by the assessee.

\Box T \Box F OT OF OT OF OT OF

OT OF

DISCUSSION QUESTIONS (DQ)

- DQ21.1 Double Tax Avoidance Agreement?
- DQ21.2 Explain the objectives of Double Tax Avoidance Agreement.
- DQ21.3 Explain the methods of eliminating double taxation.
- DQ21.4 Explain the Double Tax Avoidance Agreement status in Bangladesh.
- DQ21.5 Distinguish among tax evasion, tax avoidance, and tax planning.
- DQ21.6 Explain the merits and demerits of tax planning.
- DQ21.7 What tax planning techniques may be used by an Individual Assessee in Bangladesh?
- DQ21.8 What tax planning techniques may be used by a business in Bangladesh?

ANSWERS

S			TRU	E/FALCE
MULTIPLE CHOICE QUESTIONS	1	2	3	4
1 2 3 4 5 6 7 8 d c d	T	Т	T	F
d h d a c b a d				

SELF-REVIEW 21.1

Double Taxation Avoidance Agreement is an agreement between two countries Double Taxation Avoidance region by defining the taxing rights of each contracting seeking to avoid double taxation by defining the taxing rights of each contracting seeking to avoid double taxation of income and providing for tax credits or state with regard to cross-border flows of income and providing for tax credits or exemptions to eliminate double taxation. It also provides for exchange of information between treaty partners regarding evasion of tax.

SELF - REVIEW 21.2

Tax planning is a strategy of minimizing tax liability for an individual or company by analyzing the tax implications of various options throughout a tax year. Tax planning unvolves choosing a filing status, figuring out the most advantageous time to realize capital gains and losses, knowing when to accelerate deductions and postpone income or vice versa, setting up a proper investment plan to avail the maximum amount of tax rebate and reduce income taxes, and other legitimate tax-saving moves.

A Commence of the second

22

Value Added Tax and Supplementary Duty

"Taxes are what we pay for civilized society" -Oliver Wendell Holmes

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

CLO 22.1 understand the concept of value added tax CLO 22.2 evaluate VAT structure of Bangladesh

CLO 22.3 justify VAT as a component of the tax structure

CLO 22.4 elaborate the VAT mechanism

CLO 22.5 identify VAT imposition and consequences of failure

CLO 22.6 explain VAT collection and assessment process

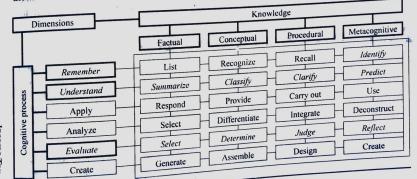
CLO 22.7 describe Supplementary duty and turnover tax

KEY TERMS

VAT, SD, Turnover Tax, Mushak-6.2, Tax Credit, Carry Forward, Invoice, non-compliance, Refund, Certificate, Clearance Exemption, Enlistment, VAT-6.1

Bloom's Taxonomy

This chapter covers (italic) the entire knowledge dimension and three levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



689

22.1

CLO

22.1

INTRODUCTION

Value Added Tax (VAT) is one of the most important sources of tax revenues in Value Added Tax (VA1) is one of the most effective and Bangladesh. Since its introduction in 1991, VAT has emerged as a principal in the same state. Bangladesh. Since its introduction. VAT has emerged as a principal instrument of efficient tools in resource mobilization. VAT has emerged as a principal instrument of efficient tools in resource into divide during last four decades. Its importance is taxing domestic consumption while the state of its effectiveness in mobilizing also increasing in the developing countries because of its effectiveness in mobilizing also increasing in the developing control of the stated as its neutrality. transparency, certainty, and self-policing mechanism.

22.2

22.2

HISTORY OF VAT

The origin of VAT can be traced as far back as the writings of F Von Siemens, who proposed it in 1918 as a substitute for the then newly established German turnover tax. Since then, numerous economists have recommended it in different contexts However, it was not until 1953 that the value-added tax system was put in place in the United States or Europe. France was the first country to begin using value-added tax to partially replace its own turnover tax system in 1954.

In 1967 the Council of European Economic Community (EEC) issued directives for widespread adoption of VAT to replace existing turnover taxes and link EFC members with a common tax system. After the directive, countries outside the EEC such as Austria, Sweden, Brazil, Greece, and Peru also adopted some variation of the VAT, either in addition to or as a replacement for their own national tax structures.

From 1987 to 1997, value-added tax was introduced in many eastern European countries, the former Soviet republics, and Asia. China, Thailand, the Philippines, and Bangladesh all implemented the policy during the mid-1990s. By the early 2000s. VAT had become a key component of the tax systems in more than 120 countries. with tax rates varying from 5 to 25 percent. Writing in Finance and Development. Liam Ebrill claimed that "the rapid rise of the value-added tax was the most dramatic." and probably most important-development in taxation in the latter part of the twentieth century, and it still continues."

EVOLUTION OF VAT IN BANGLADESH

CLO 22.2

In April 1979, the Taxation Enquiry Commission (TEC) officially took up the issue of introducing VAT in Bangladesh as an alternate to sales tax. Until 1982, sales tax was being collected under the Sales Tax Act 1951, which was replaced by the Sales Tax Ordinance 1982 with effect from 1 July 1982. The World Bank played the pioneering role in introduction of VAT in Bangladesh. A World Bank Mission visited Bangladesh for preparing an agenda for tax reform in Bangladesh in December 1986. The mission submitted its final report on 15 October 1989. The report recommended the introduction of a manufacturing-cum-import stage VAT at a single standard rate within three years. Thereafter, a Bangladesh Tax Mission visited India, Indonesia, the Philippines, and Thailand during 13 November - 04 December 1989. The Mission

submitted its report in January 1990. The government discussed the issues relating to introduction of VAT with all related private and public agencies including the various leading Chambers of Commerce and Industry from time to time. The government prepared the Value Added Tax Act 1990 (Draft) in June 1990.

Final version of the Value Added Tax Act was promulgated 31 May 1991 as a Presidential Ordinance with eight sections (relating to registration under VAT system and the appointment and powers of VAT authorities). It was made effective from 2 June 1991. The Value Added Tax Bill 1991 was introduced in the Parliament on 1 July 1991 and the Parliament passed it on 9 July 1991. With the Presidential assent to the bill on the next day it came into effect as The Value Added Tax Act 1991. The VAT Act 1991 replaced the Business Turnover Tax Ordinance 1982 and the Sales Tax Ordinance 1982 with effect from 1 July 1991.

The VAT Act 1991 was not free from limitations since its inception. Several reform measures have been taken to reduce the loopholes and limitations of the VAT System in 28 years of its tenure. During this period, a number of distortions gradually have crept into the system; namely: cascading effect, tariff value, truncated value base, Maximum Retail Price-based value, price declaration, Advance Trade VAT (ATV) at import stage, definition of services, deduction of VAT at source etc. In conformity with the sixth five-year plan (2012-16) of the government, NBR adopted a modernization plan in 2011, a component of which was reviewing of the taxation laws to eliminate these distortions and to establish standard taxation system in Bangladesh. In that process, drafting of a new VAT law took place with the assistance of IMF. It took more than two years to finalize the draft VAT Act. At last, the Value Added Tax and Supplementary Duty Act, 2012 had been passed in the Parliament in November 2012. Due to several reasons, it was not possible to implement the new act immediately and VAT Law has gone in full implementation from July 01, 2019.

CLO

22.1

DEFINITION AND CHARACTERISTICS OF VAT

VAT is a tax, which is charged on the 'increase in value' of goods and services at each stage of production and circulation. It is levied on the added value that results from each exchange. It is also chargeable on the value of all imported goods. It differs from a sales tax because a sales tax is levied on the total value of the exchange. \overline{VAT} is a simplified and transparent system of tax in which tax is levied on the value additions, at each stage in the production-distribution with provision of set-off of tax paid on earlier stage. The basic characteristics of VAT are as follows:

- □ VAT is a general tax that applies on goods and services both. ☐ It is collected at every point of sale and the tax already paid by the dealer at the time of purchase of goods (input tax) will be deducted from the amount of tax
- ☐ It is a consumption tax because it is borne ultimately by the final consumer. It is paid at the next sale (output tax). not a charge on businesses.

- end-consumers of products and is therefore a regressive tax (the poor pay more, in comparison, than the rich).
- ☐ Revenues from a value added tax are frequently lower than expected because they are difficult and costly to administer and collect.
- □ VAT increases inflation. In developing countries, some businessmen seize almost any opportunity to raise prices, and VAT certainly offers such an opportunity.
- ☐ It is also argued that VAT places a heavy direct impact of tax on the laborintensive firm compared to the capital- intensive competitor, since the ratio of

Chapter - 22 Value Added Tax and Supplementary Duty

value added to selling price is greater for the former. This is a real problem for labor-intensive economies and industries.

Certain industries where cash transactions dominate (e.g., small-scale services), tend to have more VAT avoidance. VAT may be criticized for encouraging this.

CLO 22.2

22.3

RATIONALES IN INTRODUCING VAT IN BANGLADESH

Generation of appropriate resources for the government is essential for economic substance of any country. It is even more important for the developing countries like Bangladesh on account of the wide gap between public revenue and expenditure. Taxation is one of the major sources of public revenue to meet a country's revenue and development expenditure. Bangladesh is one of the countries having a very poor Tax-GDP ratio. Objectives behind introducing VAT in Bangladesh were as follows:

- ☐ Since VAT requires computerized records it provides for greater simplicity, transparency and authenticity in the current taxation system;
- ☐ To increase the competitiveness of Bangladeshi industry by removing the cascading effect of the traditional sale tax system;
- ☐ To consolidate the tax administration through proper integration among various tax collecting activities;
- To activate the overall economy by mobilizing more internal resources which helps in encouraging personal savings and investment; and
- ☐ To bring revenue neutrality in the long run under VAT regime that brings a consistent improvement in the tax-GDP ratio.
- ☐ To encourage a better-administered tax system that deters tax evasion.
 - To avoid the problem of under valuing, as all stages of production and distribution are subject to a tax.
- \square To encourage taxpayers by the input tax credit ensuring better tax compliance;
- To help in fiscal consolidation for the country in bringing a steady source of revenue reducing the debt burden.

Industry experts argue that the VAT system, if enforced properly, forms part of the fiscal consolidation strategy in Bangladesh. It could, in fact, help address the fiscal deficit problem, and the revenues estimated to be collected could mean lowering of the fiscal deficit burden. Further any globally accepted tax administrative system will only help Bangladesh integrate better in the World Trade Organization regime.

CONTRIBUTION OF VAT IN BANGLADESH

CLO 22.2 22.3 The concept of Value Added Tax (VAT) has been introduced in Bangladesh in 1991 replacing the outdated excise and sales tax regime. This shift was motivated by the argument that VAT (relative to sales tax) had a higher revenue potential, and that its collection and administration are more economic, efficient, and expedient. Despite having various limitations in the adoption process, VAT has become the single largest source of government revenue exceeding customs. Exhibit 21.1 shows a clear picture of VAT's contribution in Bangladesh economy.

22.1

EXHIBIT

Contribution of VAT in Bangladesh: Some Statistics

[Source: Bangladesh Economic Review, 2024]

	2015 16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022.22
No. of the second	2015-16	8.27	8.8		9.87	8.95	8.71	8.74
Tax - GDP ratio	7.49	214 261	259 454	316,613	348,069	351,532	334,349	433.00
Total Revenue (Cr. Tk.)	178,094	102 261	222 202	289.600	313,067	316,000	299,294	122,000
Total Tax Rev. (Cr. Tk.)		192,201	02 712	104 797	109.846	115.217	116,994	368,001
VAT (Cr. Tk.)	53,913			31,393	31,684	48,298	41,187	
SD (Cr Tk)	25,064	29,519		36.19		36.46	1107	03,075
% of VAT to Tax R	34.69	35.72	35.62		10.12	15.28	37.09	37.69
% of SD to TR	16.13	15.35	14.97	10.84	10.12	15.28	13.76	13.83

Here, Cr. Tk.: crore taka, TR: tax revenue, VAT: value added tax, SD: Supplementary duty.

22.9 SCOPE OF BANGLADESH VALUE ADDED TAX LAW

CLO 22.2 22.3 Rules and regulations enacted in the following laws are taken into consideration to impose value Added tax on goods and services:

- ☐ The Value Added Tax and Supplementary Duty Act, 2012: The Value Added Tax and Supplementary Duty Act, 2012 (47 No. Act of 2012) came into force on 1stJuly 2019. It has 139 sections, many sub-sections, and 3 schedules containing necessary provisions for the purpose of imposing VAT and supplementary duty.
- ☐ The Value Added Tax and Supplementary Duty Rules, 2016. The National Board of Revenue prepared relevant rules under the name "The Value Added Tax and Supplementary Duty Rules, 2016" in accordance with the power authorized under Section 135 of The VAT and Supplementary Duty Act, 2012. There are 119 rules under 18 chapters to be followed in the administration of the VAT Act.
- ☐ Finance Act: To give effect to the various proposals in the annual budget covering the areas of direct and indirect taxes, Finance Act is issued. It contains various applicable tax rates and amendments to the relevant VAT Act and Rules.
- ☐ SRO (Statutory Regulatory Orders): NBR can issue circulars & SROs as needed. The provisions of these SROs are also to be considered in imposing VAT.
- \square VAT Case Law. During assessment proceedings, the judgments given by the courts regarding the interpretations of any provisions of the VAT Act may guide the assessing officers and the assessee in similar relevant circumstances. \sim 7

22.10 SOME IMPORTANT FEATURES OF VAT IN BANGLADESH

22.2

The main features of VAT in Bangladesh are as follows:

□ VAT is imposed at import stage, production stage, trading stage on rending services and on immovable property, lease, grant, license, permit, facilities, etc.;

Turnover tax @ 4 per cent is leviable where annual turnover amount is more than

SELF - REVIEW



State the rates applicable for: (a) VAT

- (b) Turnover tax and
- (c) Supplementary duty?
- Bangladesh VAT Law set the four-tier VAT rates (15%, 10%, 7.5% and 5%) for different sectors. The 15% rate will be applicable only for the imported and luxury items, while wholesalers and retail sellers have to pay at the rate of 5%. Other businesses have to pay VAT at 7.5% and 10% rates.
- $\ \square$ Only those who will pay VAT at 15% rate will enjoy rebate or refund facility.
- ☐ There is no provision for tariff value and truncated value base.
- $\hfill\Box$ Tax returns are to be submitted on monthly or quarterly or half yearly basis as notified by the Government.
- ☐ The new VAT Law stipulates maintenance of input-output co-efficient by the VAT payers on which base audit will be done later by the VAT authorities.
- ☐ Luxurious and socially undesirable goods are subject to supplementary duties at different rates ranging from 10 per cent to 500 per cent.

THE VAT MECHANISM

CLO 22.4

- ☐ 'The value added' how to measure it: The VAT, by definition, is the tax on the value added at each stage of a production-distribution chain. The value added, in turn, can be defined in two alternative ways. First, value added is equivalent to the sum of wages to labor and profits to owners of the production factors including land and capital. Second, value added is simply measured as the difference between the value of output and the cost of inputs. These definitions of value added give rise to three major alternatives in computing the VAT.
- ☐ Three alternatives in VAT computation: Whatever is the method of computing the tax-base or VAT payable, final result of VAT-liability under all the following computing methods shall be equal:
 - The Addition Method: The value added is computed by adding all the payments that is payable to the factors of production (viz., wages, salaries, interest payments etc). If t1 and t2 are the rates on wages and profits respectively, then the tax liability will be $[(t_1 \times wages) + (t_2 \times profits)]$.
 - The Subtraction Method: The tax liability at any stage is equal to the tax rate multiplied by the tax base or value added measured as the difference between the values of outputs and inputs.
 - Tax Credit Method: This is the most common method of the VAT computation. Under the tax credit method, a firm at any stage of the production-distribution chain charges its customers the VAT on its output. submits the tax to the treasury, and then claims for the VAT already paid on its input purchase. Let t1 and t2 be the tax rates on output and inputs respectively, then the tax liability is [(t1× output)-(t2 ×inputs)].

22,2

EXHIBIT

Computing VAT: An Illustration

Case! An importer imports some goods, which will be supplied to a producer. The producer will produce goods Case! An importer imports some goods, which will be supplied to a wholesaler. The wholesaler will be using the imported goods and the produced goods will be supplied to a wholesaler. The whole distributions are the information of the produced goods. by using the imported goods and the produced goods will be served that the whole distribution-process supply the goods to a retailer who will sell it to the consumer. It is assumed that the whole distribution-process supply the goods to a retailer who will sell it to the voltage of the VAT calculation procedure is explained below, will be an unbroken one. Considering 15% VAT rate, the VAT calculation procedure is explained below.

will be an unbroken one. Considering 15% VAL	, ruce, -			Value		Input	Output	Net VAT
With the ans area			Drofit		OV/SP	VAT	VAT	Payable
	RM/IV	_cc	Projit	800	800	-	120	120
t and of PM	800		100	200	1,000	120	150	30
Stage 1: Importer, Import of RM Stage 2: Importer, Sale of RM to the Producer	800	100	200	1,000	2,000	150	300	150
Stage 2: Importer, Sale of Rive to the		800	50	200	2,200	300	330	30
Stage 3: Producer	2,000	150	50	100	2,300	330	345	15
Stage 4: Wholesaler	2,200	50				345	N/A	
Stage 5. Retailer	2,300		400	2,300	2,300			345
Stage 6. Consumer		1100						
Total (Tk)			Luc CD.	sellina I	orice, CC.	: conve	rsion cos	t refers to

Note: Here, RM: raw material, IV: input value, OV: output value, SP: selling price, CC: conversion cost refers to the cost incurred to convert raw materials into finished goods excluding profit.

Stage 1: The importer imported some goods at Tk. 800 (ex-VAT), on which he paid Tk. 120 VAT at 15% rate.

Stage 2: The importer employed Tk. 100 as conversion cost and Tk. 100 as profit to sell the imported goods to a producer at Tk. 1,000 (ex-VAT) and the importer collected Tk. 150 from the producer as output-VAT. The value added at import-stage before further sale, was Tk. 800 and then at the stage of further sale Tk. 200 (CCTk. 100+ profit Tk. 100). The importer paid Tk. 120 (15% of Tk. 800) at import stage and Tk. 30 at supply-stage to producer [(output VAT Tk. 150 collected from the producer - input VAT Tk. 120 paid at import-stage) or (value added Tk. 200 at supply-stage multiplied by 15% VAT)] i.e. Tk. 150 is paid to the national exchequer.

Stage 3: The producer, with his raw-material cost of Tk. 1000 (ex-VAT), employed Tk. 800 as conversion cost and Tk. 200 as profit to sell the produced goods to a wholesaler at Tk. 2,000 (ex-VAT), the producer collected Tk. 300 from the wholesaler as output-VAT. The value added at production-stage before sale, was Tk. 1000 (conversion cost Tk. 800 + profit Tk. 200). The producer paid Tk. 150 [(output VAT Tk. 300 collected from the wholesaler - input VAT Tk. 150 paid at purchase from importer) or (value added Tk. 1000 at production-stage multiplied by 15% rate of VAT)] to the Government Treasury.

Stage 4: The wholesaler, with his goods purchased from the producer at Tk. 2000 (ex-VAT), employed Tk. 150 as conversion cost and Tk. 50 as profit to sell the goods to a retailer at Tk. 2200 (ex-VAT), the producer collected Tk. 330 from the retailer as output-VAT. The value added at supply to retailer before sale, was Tk. 200 (conversion cost Tk. 150 + profit Tk. 50). The wholesaler paid Tk. 30 [(output VAT Tk. 330 collected from the retailer - input VAT Tk. 300 paid at purchase from producer) or (value added Tk. 200 at production-stage multiplied by 15% rate of VAT)] to the national exchaquer.

Stage 5: The retailer, with his goods purchased from the producer at Tk. 2,200 (ex-VAT), employed Tk. 50 as conversion cost and Tk. 50 as profit to sell the goods to a consumer at Tk. 2,300 (ex-VAT), the producer collected Tk. 345 from the consumer as output-VAT. The value added at sale to consumer before sale, was Tk. 100 (conversion cost Tk. 50 + profit Tk. 50). The retailer paid Tk. 15 [(output VAT Tk. 345 collected from the

Courtesy: Dr. Md. Abdur Rouf, NBR.

Chapter - 22 Value Added Tax and Supplementary Duty

consumer - input VAT Tk. 330 paid at purchase from wholesaler) or (value added Tk. 100 at production-stage consumer to consume the covernment Treasury.

multiplied 5: Thus, the overall deposit to the Government Treasury is Tk. 345 [Tk. 150 by importer + Tk. 150 by stage 6: Thus, the overall deposit to the Government Treasury is Tk. 345 [Tk. 150 by importer + Tk. 150 by stage broducer + Tk. 30 by wholesaler + Tk. 15] paid by the ultimate final consumer.

☐ Three Types of VAT Base: There are 3 types of VAT used around the world, each different in the ways those taxes on investment (capital) expenditures are handled. The most common is the consumption method, which allows businesses to immediately deduct the full value of taxes paid on capital purchases. The second is the net income method, which allows gradual deduction of VAT paid on capital purchases over a number of years, much like depreciation. The third type, gross national product method of VAT, provides no allowance for taxes paid on capital purchases. The name of this type of tax is derived from the fact that the tax base is approximately equal to private GNP. The consumption method is most favored among general populations because it most equally taxes income from labor and capital and promotes capital formation.

SALES TAX AND VAT

22.3

Difference between Sales Tax and Value Added Tax

VAT Sales tax ☐ simplified tax system □ complex system □ only four slabs of tax ☐ different slabs of tax ☐ charged at each stage collected at one point i.e., first or last. ☐ tax on each value addition no tax levied on subsequent sales ☐ a set off is for previous purchases problems of multiple taxation encouragement to disclosure discouragement to disclosure

Application of Sales Tax and Value Added Tax

Calm Tay and V	alue Added	Tax		
Application of Sales Tax and V		Prom	Duren	Selling price
Application of Sales Tax	Cost Tk. 70.00		Tk. 15.00	Tk. 115.00
Manufacturer	115.00	20.00	20.25 27.00	207.00
Wholesaler	155.25	24.75	Tk. 62.25	
Retailer Government's total tax collection Note: Here, sales tax is charged	@ 15% on 6	cost plus pro	ofit. Selling	price = cost +
Note: Here, sales tax is charged	@ 1378 011	•		Salling price

Selling price profit + sales tax. VAT Profit Tk. 115,00 Cost Tk. 15.00 Tk. 30.00 Application of VAT: Tk. 70.00 138 3 20.00 Manufacturer 115.00 166.46 3.71 24.75 Wholesaler 138 Tk. 21.71 Retailer

Government's total tax collection

Note: Here, VAT is charged @ 15% on value addition (which is profit in this case) Selling price = cost + profit + VAT.

This case shows, if sales tax and VAT are imposed on the goods whose cost is same and same rate of taxes are imposed, in case of sales tax, Government collects Tk 62.25 but in the case of VAT the total collection by the Government is only Tk.21 71

RELEVANT DEFINITIONS AND CONCEPTS OFVAT 22.13

22.1

Section 2 of the Value Added Tax and Supplementary Duty Act, 2012 represents the definitions of some important terms. Some of these relevant definitions are as follows

- ☐ Money [section 2(5)] means any existing legal tender of Bangladesh or of any other country, and also includes the following instruments, namely
 - negotiable instrument;
 - bill of exchange, promissory note, bank draft, postal order, money order or any other similar instrument:
 - · credit card or debit card; or
 - any supply made through account credit or debit;
- ☐ Economic Activity [section 2(6)] means any activity carried on regularly for making supply of any good, services or immovable property, and
 - also includes the following activities, namely
 - any business, profession, vocation, means of earning livelihood. manufacture or undertaking of any kind, whether or not for profit:
 - Supply of any good, service or property made under any lease, license or a similar arrangement,
 - any one-off initiative in the nature of commercial activity/enterprise; or
 - any activity carried out at the beginning or at the end of suchan activity:
 - but shall not include the following activities, namely
 - any service rendered by an employee to his employer;
 - any service rendered by any director of a company; provided that the services rendered by a director, who holds the office of the directorship for the purposes of the business of the company, shall be regarded as an economic activity:
 - any recreational pursuit or hobby carried on a non-commercial basis; or
 - any prescribed activity carried on by the Government without any commercial motive:
- ☐ Progressive or Periodic Supply [section 2(10)] means any supply made under the condition of progressive or periodic payment of money under any agreement or lease or hire of license (including finance lease);
- ☐ Ancillary Transport Services [Section 2(11)] means any stevedoring services, lashing and securing services, cargo inspection services, services relating to preparation and processing of customs documentation, container handling services, and services relating to the storage and safe-keeping of transported goods or goods to be transported and any other similar service;

- ☐ International Transport [section 2(12)]means, except the ancillary transport services, any of the flowing services of transportation of any passenger or good byroad, water or air from one place to another, namely
 - from a place outside Bangladesh to another place outside Bangladesh;
 - from a place outside Bangladesh to another place within Bangladesh;
- from a place within Bangladesh to a place outside Bangladesh;
- ☐ International Assistance and Loan Agreement [section 2(13)]means an agreement between the Government of Bangladesh and a foreign Government, or an international organization for rendering assistance to Bangladesh in the areas of finance, technology or administration;
- Resident [section 2(15)] means an individual who
 - normally lives in Bangladesh; or
 - stays in Bangladesh for more than 183 (one hundred and eighty-two)days in a current calendar year; or
 - stays in Bangladesh for more than 90 days in a calendar year and stayed in Bangladesh for more than 365 days during the four immediately preceding calendar years; and also includes the following entity, namely
 - a company, if it is incorporated under the prevalent laws of Bangladesh or its center of control and management is in Bangladesh;
 - a Trust, if a Trustee thereof is a resident of Bangladesh or the center of control and management of the Trust is in Bangladesh;
 - an association of persons other than a Trust, if it is formed in Bangladesh or its center of control and management is in Bangladesh;
 - all government entities; or
 - a property development joint venture;
- ☐ Import [section 2(16)] means bringing in any good from outside to within the geographical boundary of Bangladesh;
- ☐ Imported Service [section 2(17)] means service supplied outside of Bangladesh;
- Electronic Service [section (18)] means the following services, when provided or delivered on or through a telecommunications network, a local or global information network, or similar means, namely -
 - websites, web-hosting, or remote maintenance of programs and equipment;
 - software and the updating thereof delivered remotely;
 - images, texts, and information delivered;
 - access to databases;
 - self-education packages;

 - political, cultural, artistic, sporting, scientific and entertainment broadcasts
- and telecasts and events, including telecasts; ☐ Inputs [section 2(18A)]means all types of raw-materials, laboratory reagent, laboratory equipment, laboratory accessories, any substance used as fuel, packing

Bangladesh Income Tax - Theory and Practice

- Labor, land, structure, office equipment and fixture, construction, balancing
 repair and repoyetion. Labor, land, structure, office equipment, expansion, repair and renovation of any building or structure or establishment;
- building or structure of catalant
 Purchase and repair of all kinds of furniture, office supply, stationary items rurchase and repair of refrigerator/freezer, air conditioner, fan, lighting equipment, and generator refrigerator/freezer, air conditioner. Interior design, architectural plan and drawing;
- Purchase, rent or lease of vehicles;
- Travel, entertainment, staff welfare, development works, and goods and services related to these;
- Rent of premises, office, showroom or similar place of business establishments in whatever name it is called;

Provided that goods imported, purchased, acquired or collected in any other means for the purpose of sale, exchange or handover in any other way shall he considered as "inputs" in the case of conduct of business by a "trader" mentioned in paragraph (3) of the 3rd schedule.

- ☐ Input Tax [section 2(19)] means the value added tax (excepting advance tax) paid by any registered person at import stage against imported goods and services as inputs and value added tax paid against goods or services purchased or collected from local sources as inputs;
- ☐ Output Tax [section 2(20)] means the value added tax& supplementary duty payable by any registered person for the following activities, namely -
 - supply of any taxable good, service or property by such person; or
 - import of any taxable service by such person;
- ☐ Withholding Entity [section 2(21)] means
 - a government entity;
 - a non-government organization approved by the NGO Affairs Bureau or the Directorate-General of Social Welfare;
 - a bank, insurance company or a similar financial institution;
 - a post-secondary educational institution;
 - · a public limited company; or
- Any individual or organization with annual turnover exceeding Tk. 10 crore. □ Withholding Certificate [section 2(22)] means a certificate in respect of an
- amount of tax withheld at source; ☐ Commissioner [section 2(23)] means, when the word is used singly, an officer
- appointed to the position of Commissioner under section 78 of this Act;
- ☐ Tax [section 2(24)]means VAT, turnover tax, supplementary duty, and shall, in relation to realization of arrears, also include any interest, monetary penalty/fine; ☐ Taxpayer [section 2(26)] means a person who pays tax under this Act, and it also includes a withholding entity;
- ☐ Tax Assessment [section 2(27)] means an assessment of net payable tax by any taxpayer under chapter fifteen;
- ☐ Tax Fraction [section 2(29)] means the amount of money arrived at in accordance with the formula: [(R/(100 + R)] where R is the VAT rate specified in Sec. 15(3):

	Chapter – 22 Value Added Tax and Supplementary Duty
	 for VAT and supplementary duty, one month of the Christian Calendar; or in relation to turnover tax, every three-month period ending on 31 March, 30 June, 30 September or 31 December; Taxable Import [section 2(31)] means any import, other than an exempt import; Taxable Supply [section 2(32)] means any supply in the process of any economic
	activity excepting exempted supply; Tax Rate [section 2(33)] means, depending on the context, -
	VAT rate specified in section 15(3):
	 supplementary duty rate specified in section 55(4); or
	 turnover tax rate specified in section 63(1);
	Tax Benefit [section 2(34)] means any one of the following benefits, namely-
	 a reduction in the output tax liability; a reduction in the VAT liability on an import of goods;
	 a reduction in the VAT hability on an import of globals, an increase in an excess money carried forward or a reduction in the payable
	tax amount;
	 an increase in the entitlement to a decreasing adjustment;
	 a decrease in an increasing adjustment;
	a refund of tax; a refund of tax; a refund tax credit entitlement;
	 deferment of an output tax or acceleration of an input tax credit entitlement; a delay in accounting for output tax or an increasing adjustment or an acceleration of entitlement to an input tax credit or other decreasing adjustments; conversion of an original and actual taxable supply or import into a non-taxable supply or import; creating a right to an input tax credit in relation to an original and actual import or acquisition which would not otherwise be allowed; or showing a less-than-actual turnover by a taxpayer;
	Proceeding [section 2(35)] means any proceeding or activity undertaken by concerned officer under this Act, but does not include any activity relating to offence mentioned in Chapter Sixteen;
	Lay-By Agreement [section 2(36)] means an agreement of a sale or purchase,
	Lay-By Agreement (section 2/50) means an agreement and one installment; under which consideration of any supply is paid by more than one installment; Centrally Registered Unit [section 2(37)] means centrally registered in
	Game and (raggion 2(38)) means an entity incorporated as a company under any
	Credit Note [section 2(39)] means a document issued by a dampeyor
_	
	Invoice [section 2(40)] means any document relating to the lambda
	payment of consideration; Penalty [section 2(41)] means a monetary penalty imposed by a VAT Officer u/s Penalty [section 2(41)] means a monetary penalty imposed by a variety of the trial of an offence;
	Penalty [section 2(41)] means a monetary personal way on the trial of an offence;

ncome tax - theory and	
Turnover (section 2(42)) means, in relation to a person, all the money received receivable by such person within a prescribed time or tax period against receivable by such person within a prescribed time or tax period against supply of taxable goods or the rendering of taxable services manufacture imported or purchased by means of his economic activities; imported or purchased by means a document issued by a taxpayer in support	ed,
Debit Note [section 2(44)] The area	
Person Required to be Enlisted [section 2(47)]	
of an economic activity of any person in a 12 (twelve)- month- period, but do not include the following, namely, the value of – • an exempted supply;	er
 sale of a capital asset; a sale of an organization of economic activities or any portion thereof; or a supply made from permanently closing down an economic activity; Document [section 2(49)] would mean to include the following things, namely anything expressed or stated with the help of letters, numbers, symbols or 	- Or
signs on paper or any other like material; and any electronic data, computer programme, computer tape, computer disk, any other similar device that can hold data;	or
☐ Fixed Place[section 2(52)] means any of the following places at or throug which economic activities inside or outside Bangladesh are carried on, namely— a place of management;	h
 a branch, an office, a factory, or a workshop; a mine, a gas well, a quarry for extraction of stones or any other similar mineral resource; or 	r
 a location of any construction or installation project; 	
Person Required to be Registered [section 2(55)] means any person required to be registered for VAT under section 4;)
☐ Registration[section 2(54)] means the VAT registration under section 6;	
☐ Registered Person[sec 2(56)] means any person registered for VAT under sec. 6;	
☐ Registration Threshold[section 2(57)] means the limit of Tk.3 (three) crore as	
turnover of an economic activity of any person in a 12 (twelve)- month period	,
but does not include the following, namely, the value of -	
an exempted supply;	
sale of a capital asset;	
 a sale of an organization of economic activities or any portion thereof; a supply made as a consequence of permanently closing down an economic activity; 	
Provided that, the registration threshold shall not apply while registering any person U/s 4(2)(Gha).	
☐ Fair Market Price[section 2(58)] means —	

the consideration for a supply arrived at on the basis of a normal relation between a buyer and a seller, who are not associated with each other; if it is not possible to arrive at a fair market price as prescribed in the clause above, it would then be the consideration of a similar supply made previously under similar circumstances; if it is not possible to arrive at a fair market price by the above means, it may be determined by the Board on the basis of an impersonal average of considerations arrived at in the course of normal business relations among buyers and sellers, who are not associated with one another; ☐ Consideration [section 2(59)] means the money paid or payable, whether directly or indirectly, against a supply, or the fair market price of a thing paid or payable in lieu of cash, and also includes the money realized or realizable on the following accounts, namely - any tax imposed under this or any other Act that is – payable by the supplier on, or by reason of, a supply; and included in, or added to, the price charged to the recipient; any money realized as service charge; or any money payable in relation to a loan agreement under finance lease or hire purchase and included in the consideration for supply of goods under hire purchase or finance lease; but does not include any discount in price given at the time of a supply; ☐ Goods[section 2(60)] means, other than share or stock or security or money, all kinds of tangible movable property: ☐ Supply of Goods[section 2(61)] means — • The transfer of right of goods through sale, exchange, or sale otherwise; or giving the right to use the good on lease, rent, installment, hire purchase or by other means, and it also includes the supply of goods under finance lease; ☐ Deemed Export [section 2(62)] would mean to include one or more of the following supplies, namely - supply of any goods or service in a prescribed manner against foreign exchange and destined for consumption outside Bangladesh; supply of any good or service within the territory of Bangladesh against foreign exchange in prescribed method through an international tender; or supply of any good or service within the territory of Bangladesh against foreign exchange in prescribed method under cover of a local letter of credit; ☐ Representative [section 2(63)] means – for a mentally or physically challenged individual, a guardian or a manager • company other than a company in liquidation, the chief executive officer or appointed by him; any other officer or representative appointed by him, of the company; partnership, a partner thereof; Trust, any Trustee of the Trust or an executor or administrator of such Trust;

☐ Board[section 2(73)] means the National Board of Revenue established by the

☐ Person [section 2(74)] means any natural person, and also includes a company; an association of persons; a government entity; a foreign government or a department designated, or any official appointed, by it; an inter-state or

international organization; or a joint venture for property development or any

National Board of Revenue Order, 1972 (P.O. No. 76 of 1972);

other similar initiative; or other business organization.

	Association of Persons[section 2(75)] means any partnership, Trust or any
	similar association of persons, but does not include any company or unincorporated joint venture:
	unincorporated joint venture; Business Identification V. 1.
	Business Identification Number[section 2(76)] means a unique business identification number mentioned in the VAT registration certificate or turnover tax certificate issued to a recircular to the various of the various description.
_	
	Services Directly Related to Land[section 2/771] manne
	services rendered directly on land:
9-	 services of experts and estate agents rendered to specific pieces or areas of land; and
	services relating to construction work undertaken, or to be undertaken, on
	specific piece or pieces of land;
	Value[section 2(78)] means –
	the value of import specified in section 28; or
	• the value of supply specified in section 32;
	Value Added Tax or VAT[sec 2(79)] means the value added tax imposed U/s. 15; Value Added Tax Authority [sec 2(80)] means the authority specified in sec 78;
	Value Added Tax Officer or VAT Officer [section 2(81)] means any officer
	specified in section 78(1);
	Export [section 2(82)] means any supply from inside to outside the
	geographical limits of Bangladesh in exchange of foreign currency, and also
	includes a deemed export;
	Zero-rated Supply[sec 2(86)] means any supply as zero-rated under sec21; Adjustment Event[section 2(87)] means any of the following events, namely-
П	 cancellation of any supply;
	alteration of the consideration for any supply;
	for a supplied good in part or in full, to the supplier;
	 conversion of a supply into a zero-rated or an exempted one as a result
	alteration in the nature of such supply; or
·,	• any other prescribed event; Joint Venture for Property Development[section 2(88)] means an agreement in himself to a builder under certain terms and
	under which a land owner commission wildings on his land; conditions for constructing a building or buildings on his land;
	conditions for constructing a building or buildings of inits after Supplementary duty [sec 2(89)] means the supplementary duty imposed U/s 55; Supplementary duty [sec 2(89)] means the supplementary duty imposed U/s 55; Supplementary duty [sec 2(89)] means any good specified
	Goods Subject to Supplementary Dusy Island
	in the second schedule; Services Subject to Supplementary Duty [section 2(91)] means any service Services Subject to Supplementary Duty [section 2(91)]
	Services Subject to Supplementary specified in the second schedule;
	Government Entity [section 2(93)]means – government entity [section 2(93)]mean
. 🗆	Government Entity [section 2(93)]means – Government or any of its ministries, divisions, or attached departments; a government or any of its ministries, divisions, or attached departments;
	a semi-government entity of and
	a state-owned enterprise; or a state-owned enterprise; or a similar organization;
	 a state-owned enterprise; or a local authority, council, or a similar organization;

- ☐ Supply [section 2(94)] means
 - a supply of goods;
 - a supply of immoveable property;
 - a supply of services; or
 - a combination of the supplies of the above clauses (a) (b) and (c);
- ☐ Time of Supply [section 2(96)] means
 - in relation to supply of goods, the time when the possession of the goods are conferred or they are removed;
 - in relation to supply of services, the time when the services are rendered generated, transferred or assigned; or
 - in relation to supply of any immovable property, the time when the property is delivered or created or transferred or assigned;
- ☐ Associate [section 2(9")] means such a relation between two persons as would make one act or reasonably expected to act in accordance with the intention of the other, or make both act or reasonably expected to act in accordance with the intention of a third person, and it also includes the following persons. -
 - A partner of a partnership;
 - a shareholder of a company;
 - a Trust and a beneficiary of such Trust; or
 - a joint venture for property development and the landowner as a partner of that joint venture, builder, or other related person; or
 - representative/VAT agent/distributor/licensee/person of similar relationshin:

but provided that persons with employment relations shall not be included in it.

- ☐ Second Hand Goods [section 2(98)] means such a good as has been used before. but does not include any precious metals or any good made out of such precious metal (such as: gold, silver, platinum or any other similar metal), and diamond, ruby, emerald or sapphire;
- ☐ Service[section 2(99)] means any service but does 'not include any good, immovable property and money;
- ☐ Supply of Service [section 2(100)] means such a supply as is not a supply of good, money, or immoveable property, which, without prejudice to the generality, shall include the following, namely-
 - a grant, assignment, termination, or conferment of a right;
 - making a facility, an opportunity, or an advantage available;
 - an agreement to perform an act, to refrain from performing an act or accepting a situation or to tolerate an act or a situation; and
 - the issuance, transfer or conferment of a license, permit, certificate, concession, authorization, or a similar right;
- ☐ Immovable Property [section 2(101)] means title or right on immovable property where irrespective of whether land or any building established on land or any structure permanently attached or established on it or not;
- ☐ Supply of Immovable Property [sec 2(102)] means to include the supplies of— an interest in, or right over, land;

- Chapter 22 Value Added Tax and Supplementary Duty
- a personal right of an invitation to confer a right or interest on land; issuance of a license to occupy land including supply of residential
- accommodation or a contractual right exercisable over, or regarding, land; a right to acquire anything mentioned in above clauses or the option to exercise that right in future;
- ☐ Decreasing Adjustment[section 2(103)]means any of the following decreasing adjustments, viz:-decreasing adjustment
 - of the money paid as advance tax:
 - of tax deducted at source against supply made by supplier;
 - applicable as a result of annual recalculation or audit;
 - for issuance of credit note:
 - for input tax paid in case of export;
 - in case of decrease in VAT rate;
 - claimed for a negative net amount carried forward from a previous period;
 - for VAT overpaid in previous tax period; or
 - any other prescribed decreasing adjustment

VAT REGISTRATION AND TURNOVER TAX ENLISTMENT

Chapter Two (section 4 to section 14) of the Value Added Tax and Supplementary Duty Act, 2012 enumerates the provisions regarding VAT registration and turnover tax enlistment. Moreover, Chapter Two (Rule3 to Rule 15) of the Value Added Tax and Supplementary Duty Rules, 2016 depicts relevant rules in this regard. There are three types of VAT registration, mandatory registration, voluntary registration and

Registration or enlistment done by the Commissioner, Suo Moto(i.e. on his own).

Mandatory VAT Registration

22.4

- ☐ Persons requiring to be VAT registered [section 4]:
 - Each of the following persons shall, from the first day of a month, become eligible for VAT registration, namely-
 - $\ensuremath{\mathbb{D}}$ a person whose turnover exceeds the registration threshold (i.e. Tk. 3 crore) within a 12-month period closing at the end of the month preceding that month; or
 - a person whose estimated turnover exceeds the registration threshold (i.e., Tk. 3 crore) within the succeeding 12-monthperiod beginning at the start of the preceding month.

Note: VAT registration is required if turnover exceeds Tk. 3 crore in each 12 months period as per section 2(57) of the VAT & SD Act, 2012.

- Notwithstanding anything contained in above sub-section, every person carrying on the following economic activities, has to take VAT registration irrespective of turnover, if he -
- supplies, manufactures or imports goods or services subject to supplementary duty in Bangladesh;

707

Supplies goods or service or both by participating in any tender or supplies goods or service or both by participating in any tender against any agreement or work order;

is engaged in the business of import-export;

is engaged in the examination of the stablishes branch/liaison/project office of any foreign organization;

appointed as VAT Agent;

appointed as Vol. Assuming activity relating to the supply, manufacture is engaged in the economic activity relating to the supply, manufacture or import of any specific goods or service or in any specific geographical area prescribed by the board.

☐ Pointers for determining Threshold limit for Registration or Enlistment:

 The eligibility of a person for Registration or Enlistment depends on his turnover amount of twelve months period.

 Turnover means, in relation to a person, all the money received or receivable by such person within a prescribed time or tax period against the supply of taxable goods or the rendering of taxable services manufactured, imported or purchased by means of his economic activities [section 2(42)].

• Value of the following will be excluded in computing turnover[sec 2(48)]. an exempted supply;

sale of a capital asset;

sale of an organization of economic activities or any portion thereof; or

Supply made from permanently closing down an economic activity:

Whether a person is eligible for enlistment or registration, the following provisions will be applicable for the turnover amount of 12 months period:

below Tk. 50 lac Not eligible for enlistment or registration Eligible for enlistment for turnover tax as > Tk. 50 lac but < Tk. 3crore per section 2(48) Eligible for VAT registration as per Exceeds Tk. 3crore section 2(57)

When a person is eligible for VAT registration?

Each person has to evaluate his eligibility for enlistment or registration through computing his turnover on a regular basis (in each month). In this regard he has to calculate his turnover amount of twelve-month period. According to section 4(1), a person shall, from the first day of a month, become eligible for registration or enlistment, on the basis of his turnover of 12-month period. Two types of turnover can be considered in this regard:

- Actual Turnover within a 12-monthperiod closing at the end of the month preceding that month. [e.g. If person checks his eligibility on July 01, 2022, he has to calculate his actual turnover of the period July 01, 2021 to June 30, 2022]
- Estimated Turnover within the succeeding 12-month period beginning at the start of the preceding month[e.g. If person checks his eligibility on

July 01, 2022, he has to calculate his estimated turnover of the period June 01, 2021 to May 31, 2022]

☐ Registration [section 5]:

If any person preserves, using software based automated system, in the central unit all accounts, tax deposit and records of economic activity relating to the supply of identical or similar goods or service or both from one or more places, then, he may take one VAT registration in prescribed methods and conditions in the above address of accounts maintenance.

Provided that in spite of the supply of identical or similar goods or services, if accounts, tax deposit and records of economic activities of a unit is maintained separately, then it has to take separate registration[section 5(1)].

- Notwithstanding anything contained in sub-section (1), central registration will not be applicable for the supply of tobacco products on special schemes U/s 58 [Section 5(1A)].
- The Board may formulate rules for the purpose of taking central registration and payment of tax[Section 5(1B)].
- Notwithstanding anything contained in sub-section (1), if any person conducts economic activity relating to the supply of different goods or service or both from two or more places, then, he has to take separate registration for each place [Section 5(2)].
- Exchange or movement of goods or service from one central unit to another unit of the person registered under sub-section (1) shall not be treated as supply and consequently, there shall arise no output tax liability or no input tax credit claim [Section 5(3)].

☐ Procedure of VAT Registration [section 6]:

- Every person required to be registered shall make, within such time, on such terms and in such manner as may be prescribed, an application to the concerned officer for VAT registration [section 6(1)].
- The concerned officer shall, after registering such person within such time, on such terms and in such manner as may be prescribed, issue a VAT registration certificate containing a business identification number [Sec6(2)]
- If the application under sub-section (1) is not made as required under law, the concerned officer shall inform the matter in writing to the applicant in such manner as prescribed [Section 6(3)].

☐ Application for Registration and Issuance of Registration [Rule 4]:

- Each person who has obligation to take registration, prior to the passage of 15 (fifteen) days from the day on which obligation for registration has been transpired shall submit application for VAT registration to the concerned Divisional Officer in "Mushak - 2.1" Form [Sub-Rule (1)].
- To fulfill the purposes of Sub-Rule (1), application may be submitted to the following places [Sub-Rule (2)], viz:

Bangladesh Income Tax - Theory and Practice

- In online to the VAT online system of the Board; In online to the VAT online system. For the applicant determined by In any service center convenient for the applicant determined by In any service center convenient for the applicant determined by
- In any service center Commissionerate or Divisional Office; Customs, Excise and VAT Commissionerate or Divisional Office; Customs, Excise and VAT Community of the Board or by the respective In any service center designated by the Board or by the respective
- Commissioner.

 In any fair conducted by the Board or by the respective Commissioner,
- In any other place designated by an order of the Board.
- In case of application under Clause (b) to (e) of Sub-Rule (2), the application In case of application unuer classes of application has to be sent to the VAT online system within the following working day of
- the suomission of application of the lift the Divisional Officer finds it proper after primary verification of the If the Divisional Office information received, he will register him within information contained in the application received, he will register him within information contained in the Spiral Within and Information Certificate 3 (three)working days and issue a Value Added Tax Registration Certificate in favor of him in "VAT-2.3" Form containing a Business Identification Number.

Provided that, if the Divisional Officer finds information contained in the application received not satisfactory with the Rules, he will notify the applicant mentioning the reasons specifically within 3 (three) working days.

Notwithstanding anything contained in these Rules, for import or export of such persons whose registration or enlistment is not obligatory under the Act, including tax refund under section 71 and section 31(4) of the Act, casual Business Identification Number can be given with assistance from Customs system.

Voluntary VAT Registration

- □ Voluntary VAT Registration [section 8]:
 - If a person desires to be registered notwithstanding having the obligation to have such registration under Section 4, may voluntarily make, within such time, on such terms and in such manner as may be prescribed, an application to the concerned VAT Officer for VAT registration.
 - The concerned official shall, after registering such person within such time, on such terms and in such manner as may be prescribed, issue a VAT registration certificate containing a Business Identification Number.
 - Voluntary registered person shall be obliged to comply with all the obligations under this ACT like any other registered person and a voluntarily registered person shall not be entitled to apply for cancellation of registration prior to expiration of one year from the date of registration.
- □ Rules to be followed regarding Voluntary VAT Registration [Rule 6]:
 - If a person wants to have voluntary registration under section 8(1), he will apply to the Divisional Officer in accordance with Sub-Rule (1) of Rule 4.
 - An application for voluntary registration shall be disposed of as per the procedure described in Rule 4.

Chapter - 22 Value Added Tax and Supplementary Duty

- A person registered voluntarily-
 - Shall pay tax from the first day of the next tax period following the date of his registration; and
 - Shall preserve the records and accounts in accordance with the method described in Rule 95.

Registration or Enlistment, Suo Moto (i.e., on His Own)

- ☐ Registration or enlistment, suo moto, of persons required to be registered or enlisted [sec 12]:If, after proper-enquiry, the concerned officer is satisfied that a person was required to be registered or enlisted but failed to make an application for such registration or enlistment, he shall, suo moto, register such person for VAT or enlist him for turnover tax and issue the appropriate certificate.
- ☐ Rules regarding the Registration or enlistment done by the Divisional Officer on his own [Rule 7]:
 - The Divisional Officer shall register or enlist a person on his own initiative and issue registration or enlistment certificate under section 12 who is eligible for VAT registration or Turnover Tax enlistment.
 - The Divisional Officer shall register or enlist on his own initiative based on information obtained from proper enquiry and make it effective from the date when the need for registration or enlistment has arisen [Rule 7(2)]
 - The person described in Sub-Rule (2) shall pay tax and arrear if applicable from the date made effective under Sub-Rule (2).
 - If the Divisional Officer fails to collect required information for the determination of annual turnover in case of enlistment under Sub-Rule (2) for non-cooperation of the concerned person, he will register the person on the basis of the information available with him and will issue in his favor a VAT registration certificate containing business identification number.
 - The Divisional Officer shall enlist or register all persons and organizations worth of being enlisted or registered located under his jurisdiction.

Cancellation of VAT Registration

- ☐ Cancellation of VAT Registration [section 9]:
 - If a registered person refrains from carrying on his economic activities, he may make, within such time, on such terms and in such manner as may be prescribed, an application to the concerned officer for the cancellation of VAT registration [section 9(1)].
 - A person, who continues to make taxable supplies, but does not require to remain registered any more, may, within such time, on such terms and in such manner as may be prescribed, may apply to the concerned officer for the cancellation of his registration.
 - The concerned officer may, within such time, on such terms and in such manner as may be prescribed, cancel the VAT registration.

- If a registered person does not apply for the cancellation of VAT registration under sub-section (1), and if it appears to the concerned officer, on appropriate enquiry, that the VAT registration of such person is liable to be cancelled, he shall issue an order directing such person to make an application for the cancellation of VAT registration; and if no such application is made in accordance with such order, the concerned officer may, suo moto, cancel the VAT registration of such person.
- If, after the cancellation of a Value Added Tax registration of a person, it appears to the concerned officer that such person is required to be enlisted then he may, suo moto, or upon an application, enlist such person as a turnover taxpayer.
- Where registration of a registered person is cancelled, he shall
 - D without much delay, refrain from using or issuing any tax invoice withholding certificate, credit note, debit note, etc.; and
 - return the VAT registration certificate, and all certified copies thereof, to the Commissioner within such time as may be prescribed, and pay the arrear taxes, and file a final VAT return.
- Upon obtaining online registration by any person, the concerned official:
 - B Shall conduct physical verification of the applicant's address, existence and economic activities as mentioned in the application form for registration and shall verify other information;
 - D Following verification, if the applicant's address or existence is not found or important information proves to be untrue, then the concerned official shall take action based on prescribed conditions and methods.
- ☐ Relevant Rules regarding Cancellation of VAT Registration [Rule 8]:
 - Any registered person may apply for cancellation of VAT registration to the Commissioner in form "VAT-2.4", if [Rule 8(1)]
 - he fails to commence economic activity following registration;
 - he closes his economic activity;
 - his economic activity has been declared as exempted; or
 - his annual turnover falls below the limit of registration for two consecutive years.
 - If any application is filed under Sub-Rule (1), the Commissioner after proper enquiry about the matter [Rule 8(2)] -
 - I if he considers the reasons for the cancellation of registration to be proper, shall suspend the registration temporarily and make him informed; or
 - I if he does not consider the reasons for the cancellation of registration to be proper or if the application is incomplete or if for any other reason deems that it is not proper to cancel the registration, he will suspend the registration temporarily or take any other decision by giving the person an opportunity of being heard and inform him.

- Within 15 (fifteen) days of the temporary suspension of registration under Sub-Rule (2), the registered person shall complete all the procedures according to section 9(6) [Rule 8(3)].
- Within 15 (fifteen) days of submission of final return under Sub-Rule (3), if the information contained therein are found to be proper following its verification, the Commissioner shall cancel the registration [Rule 8(4)].
- In case of registration cancellation for the reason described in Clause (d) of Sub-Rule (1), if it is seen that his annual turnover is below registration threshold but above enlistment threshold, the Commissioner shall enlist him for Turnover Tax after cancellation of VAT registration.
- After proper enquiry if the Commissioner is satisfied for valid reasons that any person is not required to remain registered as Value Added Tax payer any more, he shall cancel his VAT registration after giving him a proper opportunity of being heard [Rule 8(6)].
- In spite of enquiry done under Sub-Rule (4) or investigation made under Sub-Rule (6), if it is discovered after the cancellation of the VAT registration that under the law there is an arrear payment due from that person or an offense has transpired, the relevant provision of the Act shall apply with regard to that person as if he is a registered person.

Enlistment and its Cancellation

- ☐ Persons required to be enlisted and their enlistment [section 10]:
 - If a person, carrying on an economic activity, exceeds at the end of any quarter of a 12-month period, the enlistment threshold, but does not exceed the registration threshold, such person shall make, within 30 (thirty) days from the end of such a quarter, on such terms and in such manner as may be prescribed, an application to the concerned officer for enlistment as a turnover taxpayer. Note that the enlistment for turnover tax is required if turnover exceeds the enlistment threshold of Tk. 50 lac [section 2(48)] but does not exceed the registration threshold Tk. 3 crore [section 2(57)] in each 12 months period under the VAT & SD Act, 2012.
 - The concerned officer shall, after enlisting such person as a turnover taxpayer within such time, on such terms and in such manner as may be prescribed, issue a turnover tax certificate containing a business identification number.

In this case the person evaluates his eligibility for enlistment for turnover tax on quarterly basis. According to English Calendar year there are four Quarters, (1) January 01 to March 31; (2) April 01 to June 30; (3) July 01 to September 30; and (4) October 01 to December 31.

Example: If at the end of Quarter 3 of 2023 (i.e. at the end of September 30, 2023), a person wants to evaluate his eligibility for enlistment for turnover tax, he will calculate his turnover for the 12-month period (October 01, 2022 to

Bangladesh Income Tax - Theory and Practice

September 30, 2023). If it exceeds Tk. 50 lac but does not exceed Tk. 3 crore, he September 30, 2023). If it exceeds 1k, 30 in the september 30, 2023). If it exceeds 1k, 30 in the has to apply for the enlistment for turnover tax within 30 (thirty) days from the has to apply for the enlistment for tuthor of 1, 2023 to October 30, 2024). If, the end of such quarter (i.e. within October 01, 2023 to October 30, 2024). If, the end of such quarter (i.e. within October 11. 2024). If, the turnover amount exceeds Tk. 3 crore, he has to apply for VAT registration u/s 4

- ☐ Cancellation of enlistment [section 11]:
- Every enlisted person may make, within such time, on such terms and in such manner as may be prescribed, an application to the concerned officer an application for the cancellation of an enlistment for the following reasons [section 11(1)], namely -
 - I if he ceases to carry on any economic activity;
 - if the turnover of his economic activity remains below the enlistment threshold proportionately for three consecutive tax periods.
- The concerned officer may, within such time, on such terms and in such manner as may be prescribed, cancel the enlistment of such person.
- An application for VAT registration shall be treated as an application for the cancellation of an enlistment, and the enlistment as a turnover taxpayer shall be deemed to have been cancelled on the date immediately before the date on which the concerned officer issues the VAT registration certificate.
- If any person does not make an application under sub-section (1) for the cancellation of enlistment, the concerned officer may pass necessary orders after cancelling the enlistment of such person within such time, and in such manner as may be prescribed.
- □ Relevant Rules regarding Cancellation of enlistment [Rule 9]:
 - An enlisted person may file application to the Commissioner in form "VAT-2.4" for cancellation of his enlistment under section 11(1) [Rule 9(1)].
 - If an application is filed under Sub-Rule (1), the Commissioner following
 - I shall inform the person after temporarily suspending his enlistment if there are valid reasons for the cancellation of his enlistment; or
 - [] if the reasons for the cancellation or enlistment are not proper or if the application is incomplete or if for some other reasons it is not proper to cancel the enlistment, the Commissioner shall inform the person temporarily suspending his enlistment or taking any other lawful decision after giving him an opportunity of being heard.

 - If the enlistment of any enlisted person is temporarily suspended, he
 - will desist from all the activities related to Turnover Tax immediately; will return to the Commissioner enlistment certificate as well as all its attented copies within 15 (fifteen) days of temporary suspension and if there is arrear due, he will pay the same.
 - If after verification the given information are found to be proper, the Commissioner shall cancel his enlistment within 15 (fifteen) days of submission of the final return [Rule 9(4)].

Chapter - 22 Value Added Tax and Supplementary Duty

- After proper enquiry if the Commissioner is certain that the annual turnover of any person has crossed the registration threshold and it has become necessary for him to get registration as a Value Added Taxpayer, he shall, after giving him a proper opportunity of being heard, cancel his enlistment for Turnover Tax and register him [Rule 9(5)].
- After proper enquiry if the Commissioner is certain that any person is no longer required to be enlisted as a Turnover Taxpayer, he shall, after giving the person an opportunity of being heard, cancel his enlistment [Rule 9(6)].
- If after verification under Sub-Rule (4) or investigation under Sub-Rule (7). after the cancellation of the enlistment for Turnover Tax it is discovered that there is some arrear payment lawfully due from the said person or any offense has been committed, the relevant provisions of the Act shall apply to him in the same manner as if he is an enlisted person [Rule 9(7)].

Responsibility of a Registered or Enlisted Person

- ☐ Responsibility of a registered/enlisted person to display certificates [section 13] Every registered or enlisted person shall display the VAT registration certificate or turnover tax certificate, or a certified copy thereof, in such a fixed place of his economic activity as makes it easily visible.
- ☐ Responsibility of a registered or enlisted person to keep informed of changes in information [section 14]:

Every registered or enlisted person shall, in respect of any change of information in the following areas relating to his economic activity, inform the concerned officer within such time and in such manner as may be prescribed, namely

- of a change in the name of such person or the type of business, including the name of the business or any other commercial name;
- of a change in the address or any other contact details of such person;
- of a change in the places of his economic activity;
- of a change in information relating to any bank account of such person;
- of a change in the nature of one or more of the economic activities carried on by such person;
- of a change in ownership or partnership;
- of any other prescribed change.

Note: The relevant rules have been explained in Rule 12 and Rule 13 of the VAT & SD Rules, 2016 in this regard.

22.15 IMPOSITION OF VAT

CLO 22.5 According to section 15, subject to other provisions of this Act, value added tax shall be imposed and payable on the taxable import and taxable supply. The payable amount of the Value Added Tax shall be assessed and determined by multiplying the VAT rate specified in sub-section (3) with the value of the taxable import or of the taxable supply. Section 15(3) specifies the rate of VAT, in relation to taxable import or taxable supply, shall be 15 (fifteen) percent. Provided that the government may in or taxable supply, shall be 15 (filter) per public interest determine truncated VAT rate or specified amount of tax in relation to public interest determine truncated VA Third Schedule. It is also provided that any goods or service specified in the Third Schedule. It is also provided that any any goods or service specified in the registered person may pay VAT at 15% rate in prescribed manner instead of reduced registered person may pay VAT at 15% rate in prescribed Relevant produced registered person may pay VAT at the Third Schedule. Relevant provisions are VAT rate or specific tax mentioned in the Third Schedule.

☐ Persons liable to pay value added tax [section 16]

Every person specified below shall be liable to pay VAT in relation to, namely_

- taxable import: the importer;
- any taxable supply in Bangladesh: the supplier;
- any taxable supply of imported service: the recipient of such supply:
- other cases: supplier or recipient of service.

☐ Supplies made within Bangladesh [section 17]

- For the purposes of section 15, the following supplies shall be treated to be made within Bangladesh, namely [section 17(1)]
 - any supply made by a resident;
 - any supply made by a non-resident carrying on an economic activity from or through a fixed place in Bangladesh;
 - any supply other than the ones mentioned in clause (b) made by a nonresident, if the supply
 - o relates to an immovable property and the land attached to it situates in Bangladesh;
 - o relates to a good and that is transferred, conferred, installed or assembled in Bangladesh;
 - c is any of the following and is made to VAT unregistered person -
 - the services are physically provided in Bangladesh by the service provider staying in Bangladesh at the time of supply;
 - the services are directly related to land located in Bangladesh;
 - the services are radio or television broadcasting or telecasting services received at an address in Bangladesh;
 - the services are electronic services delivered to a person located in Bangladesh at the time of supply;
 - the supply is of a telecommunications service initiated by a person located in Bangladesh at the time of supply, other than a telecommunications supplier or a person who is a globalroaming person temporarily staying in Bangladesh.
- For the purposes of sub-clause (ii) of clause (c) of sub-section (1), where goods are imported by a non-resident and supplied before they are entered for home consumption, such supplies shall be deemed to have been made outside Bangladesh.
- For the purposes of sub- sub-clause (E) of sub-clause (c) of sub-section (1), the person who initiates a supply of telecommunications services is the person
 - identifiable by the supplier of the services as -

- the one who controls the initiation of the supply; o the one who pays for the services;
- the one who contracts for the supply;
- if more persons than one satisfy the conditions set forth in clause (a), the person who appears most on that list; and
- if it is not possible for the supplier to identify, for whatever reason, the type or kind of supply or the real location of any of the listed persons, such a supply or all the supplies of telecommunications services made to such kinds of recipients shall be treated to have been made to the place where the actual or real residential or commercial address of the recipient of the tax invoice from the supplier is located.

Registered Supplier and registered recipient [section 18]

Notwithstanding anything contained in section 17, a supply of services by a registered non-resident to a registered recipient shall be treated to have been made in Bangladesh, if-

- the recipient of the supply carries on an economic activity from or through a fixed place in Bangladesh; and
- the supply is made for the purposes of that economic activity or to that fixed place.

☐ Provisions and Rules for VAT Agent of non-residents

- VAT Agent of non-residents [section 19]:
 - A non-resident, who does not carry on an economic activity from a fixed place in Bangladesh, shall appoint a VAT Agent.
- Such VAT Agent of a non-resident shall bear all responsibilities and carry out all activities of the non-resident, and only the non-resident person shall be liable for the payment of all dues including taxes, fines, penalties, and interests that may be imposed.
- ☐ The VAT registration of the economic activities by a VAT Agent shall be in the name of the principal.
- The Board may prescribe the manner, conditions of appointment and the responsibilities of a VAT Agent.
- Appointment of VAT Agent, etc. [Rule 16]:
 - D The VAT Agent of a non-resident person before obtaining the VAT Agent certificate as per Sub-Rule (4) shall have to be registered under section 6[Rule 16(1)].
 - The following persons may be appointed as VAT agent [Rule 16(2)]—
 - VAT Consultant appointed under section 130;
 - O Chartered Accountant or Accountant registered as members of the Institute of Chartered Accountants of Bangladesh (ICAB);
 - O Accountant registered as member of the Institute of Cost and Management Accountants of Bangladesh (ICMAB);
 - Any lawyer registered as member of the Bangladesh Bar Council;

THE WAY

Any represent of the Value Added Tax Department not be on the rank of Assistant Commissioner; or

the rank of Assistant Committee of the private sector nominated by Specialist business representative of the private sector nominated by

the FBCCI.
Chartered Secretary as defined in clause (6) of section 2 of 1 in Chartered Secretary as defined in clause (7) of 1 in Chartered Secretary as defined in clause (6) of section 2 of 1 in Chartered Secretary as defined in clause (6) of section 2 of 1 in Chartered Secretary as defined in clause (6) of section 2 of 1 in Chartered Secretary as defined in clause (6) of section 2 of 1 in Chartered Secretary as defined in clause (6) of section 2 of 1 in Chartered Secretary as defined in Chartered Secretary as defined in clause (6) of section 2 of 1 in Chartered Secretary as defined in Chartered Secretary as d Chartered Secretaries Act, 2010 (Act No. 25 of 2010); or

Chartered Secretaries Acts of the CA firm or legal consultant firm or CA firm or legal consultant firm Such a reputed consumant firm registered in Bangladesh who has obtained primary consent from

the non-resident person for being appointed as VAT Agent.

- Any person described in Sub-Rule (2) shall have to apply to the Director Am person describes and VAT Training Academy through online in "VAT-3.1" form for being appointed as VAT Agent.
- The Director General, Customs. Excise and VAT Training Academy following verification of the application received under Sub-Rule (1). if information submitted in the application is found to be appropriate following similar procedure as stipulated in Rule 109 as per the syllabus prescribed by the Board shall issue a renewable "VAT Agent Certificate" in form "VAT-3.2" with a unique number effective for a period of 3 (three) years [Rule 16(4)].
- Minimum of 3 (three) months before the expiry of the period mentioned in Sub-Rule(4), application for renewal has to be filed in form "Mushak-3.1" to the Director General, Customs, Excise and VAT Training Academy and the Director General shall issue a "VAT Agent Certificate" in form "VAT-3.2" renewing it in the same manner for a period of 3 (three) years.
- If there is any change of information in relation to any VAT agent who has received the certificate, he shall inform the Director General, Customs, Excise and VAT Training Academy within 15 (fifteen) days of the change of information in form "VAT- 3.1" through online.
- The certificate of the VAT Agent shall be cancelled, if
 - c he does not perform what is required under the Act or does what is
 - o if any membership or registration is cancelled or if the tenure of such expires as described in Sub-Rule (2).
- Nomination of VAT Agent, etc. [Rule 17]:
 - D Any non-resident person shall nominate VAT Agent for performing any work with the VAT authorities on his behalf [Rule 17(1)].
 - To fulfill the purposes of Sub-Rule (1) the non-resident person shall furnish to the Commissioner the information through online or in any other manner in form "VAT-3.3" of nominating concerned VAT agent [Rule 17(2)].

Chapter - 22 Value Added Tax and Supplementary Duty

]	Following receipt of information	under Sub-Rule (2), the VAT system	n
	according consent to his nomination		of

 His nomination shall become effective if he accords his consent through online to work as a VAT Agent on the basis of notice received under Sub-Rule (3).

The nomination of the Agent shall be null and void, if-

- The non-resident person cancels the nomination;
- The Agent number of the VAT Agent is cancelled;
- o The conduct of economic activities of the non-resident person comes to an end; or
- The VAT Agent commits any offence under the Act or the Rules.

☐ Imported services reverse charged to recipient [section 20]

- Notwithstanding anything contained in this Act, supply of any imported service shall be a taxable supply, if
 - 1 the recipient is a person registered or required to be registered and acquires such service in the process of his economic activities; and
 - such service is provided in Bangladesh in the process of an economic activity by a person registered or required to be registered, and such service is taxable at a rate other than being zero-rated; and
- Value Added Tax payable by the recipient of a taxable supply of imported services is both output tax and input tax of that person.
- If an adjustment event occurs, or has occurred, in consequence of the supply of imported services, that service would be a taxable supply in consequence thereof and the recipient of such supply of such service shall be treated as the supplier thereof.
- For the purposes of the definition of "imported services", and of the application of this Act in relation to such services, if a person, registered or required to be registered, carries on economic activities from a fixed place in Bangladesh and from one or more fixed places outside Bangladesh,
 - [] Such person, in respect of carrying on taxable activities in and outside of Bangladesh shall be treated as two separate persons;
 - the person outside Bangladesh shall be deemed to have made to the person inside Bangladesh (as defined for this Act) a supply of a service containing some benefits of the nature of services through or as a result of the activities carried on by the person outside Bangladesh:
 - the time of the supply shall be determined on the assumption that a supply has been made; and
 - the value of the service shall be determined on the assumption that the supply was made by a non-resident outside Bangladesh to an associate in Bangladesh.

Notwithstanding anything contained to the contrary in the aforemention anything contained to the contrary in the aforemention and the contrary in the aforemention in the contrary in the contrar

- Notwithstanding anything communication and services as exempted services in the First sub-sections, except the services described as exempted service in the First services shall be a service shall be a s sub-sections, except the services of any imported service shall be liable to Schedule, the recipient of supply in the manner as prescribed below. Schedule, the recipient of supply in the manner as prescribed below, who is very various to be registered or enlisted. pay VAT on the said supply neither registered or enlisted nor requires to be registered or enlisted: incase of importing the concerned services, during payment of the said
 - in case of importing the said service partially or in full through a bank or financial institution, the service partially or in the said bank or financial VAT payable shall be deducted at source by the said bank or financial institution; and
 - the bank or financial institution shall deposit the VAT to the government the bank of final treasury Challan on behalf of the importer of service and shall post it in his return.

☐ Provisions regarding Zero-rated Supplies

- Zero-rated Supplies [section 21]:
 - Notwithstanding anything contained in this Act, the following supplies shall be zero-rated, namely
 - o any supply specified in sections 22, 23, and 24; or
 - o the right to receive zero-rated supplies or supplies related to an option to buy or sell futures.,
 - If a supply is both exempted and zero-rated, it shall be treated as zerorated and not exempted, under the provisions of this sub-section.
- Land outside Bangladesh [section 22]:

A supply of immoveable property shall be zero-rated if the land to which the immoveable property relates is outside Bangladesh.

- Supply of goods for export [section 23]:
 - D Supply of any good for export shall be zero-rated: Provided that the provisions of this sub-section shall not be applicable to any goods whether re-imported or intended for re-import.
 - The following supplies shall be zero-rated, namely
 - o if the good is located outside Bangladesh at the time of supply and such good is not assembled, installed or imported into Bangladesh, by the supplier;
 - o if the good is supplied anywhere outside Bangladesh after it is imported but before it is entered for home consumption, such good shall be deemed to have been located outside Bangladesh at the time of supply;
 - supply of any good to a tourist or to a visitor coming from abroad for consumption outside Bangladesh by any seller holding a licence to sell duty-free goods;
 - o if the good remains outside Bangladesh during the whole of a prescribed period, its supply on lease, hire, under licence or other supplies relating to the use of such good shall be treated as separate supplies and each such supply shall be zero-rated:

Chapter - 22 Value Added Tax and Supplementary Duty

Provided that if such good remains in Bangladesh immediately before and after its stay in international territories, such leased good shall be treated to have remained inside Bangladesh.

- Subject to the following conditions, the supply of a good usable for repair, maintenance, cleaning, renovation, modification, or for any other similar work of any good shall be zero-rated, if the good
 - o supplied is assembled with, or become part of, such good, or become unusable or damaged in consequence of the assemblage;
 - o is temporarily imported into Bangladesh under the Customs Act; or
 - is brought temporarily into Bangladesh for receiving services, and, after it is received, it is exported from Bangladesh without using it for any purpose in Bangladesh other than receiving the service.
- A supply of goods for the repair or replacement of a good under warranty shall be zero-rated if such good is
 - o supplied under an agreement with the non-resident and unregistered warrantor to the effect that the warrantor would give a consideration; and
 - o repaired or replaced without any charge to the owner.
- D A goods supplied in the course of repair, maintenance, cleaning, renovation, modification, or otherwise physically affecting an oceangoing ship or an aircraft or any other vessel of the like kind engaged in international transport shall be zero-rated.
- A supply of stores, or of spare parts, relating to an aircraft or an oceangoing ship, engaged in international transport, shall be zero-rated, if the stores or parts are for use, consumption, or sale on the aircraft or the ship during a flight or a voyage.

Explanation: In this section, "stores" means stores for the use of the passengers or crew of an aircraft or of an ocean-going ship, or for the maintenance and repair of such an aircraft or of a ship, and also includes goods for use in the aircraft or ship, fuel, spare parts, tools and the like, whether or not for immediate use.

- Supply of Zero-rated Services [section 24]:
 - The supply of a service directly related to any land situated outside Bangladesh shall be zero-rated.
 - The supply of a service physically given on a good situated outside Bangladesh at the time of service is rendered shall be zero-rated.
 - U Subject to the following conditions, the supply of a service for the repair, maintenance, cleaning, renovation, modification and the like, of any good shall be zero-rated, namely
 - o if such good is temporarily imported into Bangladesh under the Customs Act; or

where and is expressed to Bangladesh for any other purpose without heing used in Bangladesh for any other purpose. without neme included in the customs value of an important the supply of foreston 24(4)

general shade he more-rated (section 24(4)) ground shall be recovered to shall be recovered if it is given outside.

The mappin of a service shall be recovered if it is given outside.

Bangladesh (section 24(5)) Bangladesh (section 24(3))
Subsect to the provisions of sub-section (5), the supply of a service shall

he zero-rated if

the recipient of such a supply is the recipient of succident who stays outside Bangladesh at the time of

supply of the service or

a resident and receives such service, in effect, staying outside Bangladesh at the time of the supply of the service; and

such service is not

- directly related to any land situated in Bangladesh.

 physically given on any good situated in Bangladesh at the time of the supply

- provided by global roaming services, to a person temporarily outside Bangladesh

0 The supply of a service shall not be zero-rated under sub-section (4), if.

such supply of a service relates to the acquisition of a right or aption of a subsequent supply (which is neither exempted nor zero. rated) of any other type in Bangladesh.

a such service is supplied under an agreement with a non-resident to supplying the same to a person not registered in Bangladesh

The supply of a service outside Bangladesh relating to the filing of a case its prosecution, conferment of a right, its protection, transfer transfer of aright licensing or enforcement of rights for the protection of intellectual property rights shall be zero-rated.

The supply of a telecommunications service by a telecommunications supplier to a non-resident telecommunications supplier be zero-rated.

9. The supply of a service in favor of a good under warranty of repair or replacement shall be zero-rated, subject to the following conditions -

if the supply of the service is under an agreement with the warrantor who is a non-resident and is not a registered person; and if such service is provided without any charge to the owner.

The supply of the following services shall be zero-rated. A supply - of insurance services to the international transport of goods; of the services of repair, maintenance, cleaning, renovation, modification or otherwise physically affecting an aircraft of # ocean-going ship engaged in international transport;

Chapter - 22 Value Added Fax and Supplementary Duty

to a non-recident who is not registered, of services directly connected to the operation or management of an ocean-going ship or an aircraft engaged in international transport

☐ Provisions and Rules regarding Travel Agent and Tour Operators

* Travel Agent and tour operators [section 23]. Notwithstanding anything contained in this Act, the Board may fecide if a tourism service, irrespective of whether it is provided in Bangladesh in not shall be zero-rated or not. and may, in every tax period, formulate rules determining the value, on a general basis, of tourism service that are not reported. Here, "tourism service" is accommodation, food, tours entertainment, and similar things commonly provided to tourists or international visitors

Rules Applicable for Travel Agent and tour operators [Rule | 8]

 \square A supply shall not be considered to have been made in Bangladesh, if

 σ —the supply is of a right to receive tourism supplies in Bangladesh;

o the supplier makes the supply through a fixed place outside Bangladesh to carry on its economic activity; and is not registered.

D. A supply that is made in Bangladesh is not zero-rated if it is a supply of arranging for a person to receive tourism supplies in Bangladesh whether alone or as part of a holiday or tour package

I A supply that is made in Bangladesh is not zero-rated if it is a supply of arranging for a person to receive tourism supplies outside Bangladesh whether alone or as part of a holiday or tour package.

A supply that is made in Bangladesh is not zero-rated if it is a supply of a right to receive tourism supplies outside Bangladesh whether alone or as part of a holiday or tour package (Sub-Rule 4).

The value of a supply that is not zero-rated as per Sub-Rule (4) is calculated on a global basis for each tax period and is equal to the amount calculated according to the following formula (Sub-Rule 5).

$X = (C - P) \times T$

Where, X is the amount of Value Added Tax paid; C is the total consideration received or to be received in a certain tax period; P is the zero-rated consideration of the said tax period, and T is the tax fraction.

If value of P exceeds C in a certain tax period while determining the value of the said supply as per the formula described in Sub-Rule (5). then the excess is included in the value of P in the following tax period.

Note: For a supplier established in Bangladesh, the travel agent or tour operator who performs the functions as Principal, his profit margin has to be considered in such manner as if that profit margin is the commission for works done as Agent. Travel agent and tour operators basically renders services to their clients (who mainly resides in Bangladesh) in Bangladesh

Bangladesh Income Tax - Theore and Practice

and their activities shall be taxable in the like manner. Goods, services and and their activities shall be taxable in the manual services and under the unmovable property supplied outside Bangladesh shall remain under the

unation system of that country where those have been supplied.

Example: Asian Tourism Ltd., a Bangladeshi Tour Operator, has received a Example: Asian Tourism Liu. a base on recent certain tax period against total consideration of Tk 8,050,000 in recent certain tax period against total consideration of 1K 6,000,000 was for providing services to services. In this consideration, Tk, 1,500,000 was for providing services to services. In this consideration, the foreign tour operators, Here, foreign tourists against gift vouchers issued by foreign tour operators. Here, foreign tourists against gill Voucier Should be computed using the VAT applicable on the Tour Operator should be computed using the VAT applicable on the 10th Operation (C= total consideration formula: $X = (C - P) \times T$, where, X = VAT Amount, C = total considerationformula. $X = (C - P) \times I$, where $X = (C - P) \times I$ is $X = (C - P) \times I$. received or to be received in a zero. Tk. 1,500,000, and T = Tax rated consideration of the said tax period i.e., Tk. 1,500,000, and T = Tax

fraction i.e., 115, considering 15% VAT rate VAT = $[Tk. 80,50,000 - Tk. 15,00,000] \times \frac{15}{115} = Tk. 8,54,348 [approx.]$

☐ Rules regarding Supply of goods and services against international tender in exchange of foreign currency [Rule 18A]

- Goods or services supplied by any registered person in Bangladesh against work order obtained vide international tender through LC/letter of contract in work order obtained the intention of supplying any goods or services within foreign currency with the intention of supplying any Bangladesh, subject to submitting the following documentations to the Divisional Officer, shall be deemed to be export u/s 2(62) [Rule 18A(1)], viz
 - Tender, order or supply or, in applicable case copy of purchase-order of supplier of goods/service renderer selected through international tender:
 - Description of name, amount, money paid, Bill of Entry/VAT invoice etc. of locally collected goods or service and if applicable the description of declared Input-Output Coefficient;
 - Bank attested copy of Proceed Realization Certificate (PRC) for availing decreasing adjustment of input tax and supplementary duty (in applicable cases) paid against goods and service and certification from Bangladesh Bank in favor of export income.
- Notwithstanding anything contained in sub-rule (1), for performing partial activity included in the work order of any organization located outside Bangladesh work order obtained in international tender, if any person registered in Bangladesh supplies goods or service inside Bangladesh against letter of credit established in foreign currency, subject to submitting the following documentations to the Divisional Officer, shall be considered as deemed export under section 2(62), viz:
 - I Tender notice, order of supply or, in applicable case copy of purchaseorder certified by them of the organization located outside Bangladesh obtaining work order through international tender;

Chapter - 22 Value Added Tax and Supplementary Duty

- Description of amount, money paid, Bill of Entry/VAT invoice etc. of locally collected goods or service under international tender and if applicable the description of declared Input-Output Coefficient;
- Bank attested copy of Proceed Realization Certificate (PRC) for availing decreasing adjustment of input tax and supplementary duty (in applicable cases) paid against goods and service at local and import stage and certification from Bangladesh Bank in favor of export income.
- ☐ Exempted supplies, or exempted imports [section 26]

Aside from other provisions in this Act, following shall be exempted from VAT-

- any supply or import specified in the first schedule; or
- any supply relating to a right or option to receive an exempted supply.

CLO

22.6

MANNER OF VAT COLLECTIONON IMPORTS

Manner of VAT Collection on Taxable Imports [Section 27]

In the manner and time import duty is collected under the Customs Act, in the same manner and time VAT has to be collected on taxable import, even if import duty is not applicable on such import.

Determination of Value of Taxable Imports [Section 28]

The value of any taxable import shall be the summation of the following amounts.

- ☐ the value of the goods determined for the imposition of import duty under the Customs Act; and
- □ customs duty, supplementary duty, or other duties and taxes (other than advance tax and advance income tax) payable on the import of the goods, if any.

EXHIBIT

22.3

Determining Assessable Value and Tax/Duty Thereon

Determination of assessable value to impose import duty under the Customs Act for section 28(a):

- If goods are imported at C & F Value
- : AV = C & F Value + Insurance + Landing Charge
- If goods are imported at CIF Value
- : AV = C & F Value + Landing Charge
- If goods are imported at FOB Value
- : AV = FOB Value + Freight In + Insurance + Landing Charge

Here, AV = Assessable value, C&F = Cost and Freight; CIF = Cost, Insurance and Freight; FOB = Free on Board

Formulas to calculate different duties and taxes under the VAT & SD Act, 2012:

- import/customs duty (CD) applicable under the Customs Act for section 28(a) = Assessable Value × Rate of CD
- Regulatory duty (RD) applicable under the Customs Act for section 28(a)= Assessable Value × Rate of RD
- Supplementary duty (SD) for section 28(a) = [Assessable Value + CD + RD] × Rate of SD
- Value added tax (VAT) for section 28(a) = [Assessable Value + CD + RD + SD] × Rate of VAT
- Advance Income Tax (AIT) = Assessable Value × Rate of AIT
- Advance value added tax (Advance VAT) for section 31(2) = [Assessable Value + CD + RD + SD] × Rate of Advance VAT i.e. 3%

Chapter - 22 Value Added Tax and Supplementary Duty

He will have to be the ultimate consumer of the imported goods and he would not transfer those goods to anyone else; He will have to file an application through online or in paper to any nearest Commissioner in "VAT-41" form within 120 (one hundred and twenty) days from the date on which advance tax has been paid; The Commissioner, after verifying the received application if found to be proper shall issue a crossed check after approving the refund in favor of the applicant within 15 (fifteen) days of the receipt of the application or issue an order to transfer the approved money to the bank account of the applicant.

MANNER OF VAT COLLECTION ON GENERAL SUPPLIES

CLO

22.6

De	termination of Value of Taxable Supply [Section 32]
	Subject to the provisions of this section, the value of a taxable supply shall be the
	consideration for such supply, reduced by an amount equal to the tax fraction of
	that consideration [section 32(1)].
	The consideration for a taxable supply of an imported service shall be the price of
	the supply or if the supplier and the recipient of the supply are related to each
	other, then the fair market price of the said service.
	the value of a taxable supply a savistand correspondent to an associate shall be

- able supply a registered person makes to an associate the fair market price of such supply, reduced by the tax fraction of that price, if-
 - such supply is made for no consideration, or for a consideration that is lower than the fair market price; and
 - such associate would not be entitled to a credit for all of the input tax arising out of such supply.
- Unless otherwise specified, the value of a taxable supply without a consideration shall be the price reducing tax fraction from fair price of the supply [sec 32(4)].
- ☐ For supply of goods, the registered or enlisted person shall have to submit Input-Output Coefficient to the concerned officer in prescribed manner [section 32(5)].

Determination of Value of a Supply Without Consideration [Rule 20]

- For a supply under sub-section (4) of Section 32, any registered person can make a supply of a maximum of Tk. 20,000 as sample in a fiscal year [Rule 20(1)].
- ☐ For the purposes of Sub-Rule (1), any registered person in a fiscal year may show the sample amount described in the said Sub-Rule as without consideration through one or more than one supply.
- ☐ The amount described in Sub-Rule (1) shall be determined by fair market price.

Declaration of Input - Output Coefficient [Rule 21]

For section 32(5), any registered or enlisted person shall have to submit, prior to manufacture or supply of goods, in form "Mushak - 4.3" to the Divisional Officer an Input-Output Coefficient, a copy of which the Divisional Officer shall have to send to

Desermination of Value of Re-impuried Goods (Section 29) questionage quicine sur- sports and facilities. Describination of Value of Re Inquest.

Where goods are comparted after being exported, the assessable value which will be where goods are comparted after being exported, the assessable value which will be where goods are compared to the repair are combinate. Where goods are reimported after being exported, and the combination be the base value for the assessment of VA1 on such goods shall be the combination of the base value for the assessment of value as a result of the repair and the exposite base value for the assessment that it is enhanced as a result of the repair and the exposite base value for the assessment that it is enhanced as a result of the repair and the exposite base value for the assessment that it is enhanced as a result of the repair and the exposite base value for the assessment of value of the repair and the exposite base value for the assessment of value of the repair and the exposite base value for the assessment of value of val Where goods are reimported by the base value for the assessment of VAI on street goods are reimported by the base value for the assessment of VAI on street as a result of the repair and the expenses the base value to the extent that it is enhanced as a result of the repair and the expenses the value to the extent that it is enhanced as a result of the report and that the following mannature, fleight and landing charges provided that the following mannature. the base value for the expension of the expension and the expension the value to the extent that it is enhanced as a constraint of the expension the value to the extent that it is enhanced and landing charges provided that the expension the value to the extent that it is enhanced as a constraint to expension to the expension to the extent that it is enhanced as a constraint to expension to the the value to the extension. A reight and narrows of the goods remain unchanged features, characteristics and the qualitative standards of the goods remain unchanged

Imports for Exports [Section 30]

A good brought for export, without being released for consumption inside after such repairs Bangladesh, shall not be liable to any lax.

Provisions and Rules Regarding Payment, Adjustment, and Refund of

Advance Two Paid at Import Stage □ Payment of advance lay on import and its adjustment [section 31]

- Payment of advance tax on import

 Payment of advance tax of advance t Every registered person or a payable on the supply of imported goods at the advance payment of the VAT payable on the supply of imported goods at the
- rate specified in sub-section (=).

 An advance tax, at the rate of 3 (three) percent in the case of inputs imported.

 An advance tax, at the rate of 5 (figure). rate specified in sub-section (2): An advance tax, at the rate of 5 (five) percent of for manufacturing goods and in other cases at the rate of 5 (five) percent of
- for manufacturing goods and in the the taxable import, shall be payable at the VAT imposable base value of the taxable import, shall be payable at the the VAT imposable base range manner as VAT is payable, on a taxable importing same time, and in the same manner as VAT is payable, on a taxable importing time, and in the same manner as VAT is payable, on a taxable importing time. the manners and conditions prescribed by the Board [section 31(2)];
- the manners and committees the has made a payment of advance tax may, in Every registered importer than the return of the related tax period or within the prescribed manner, claim, in the return of the related tax period or within the prescribed manner, a decreasing adjustment equal to the amount paid as advance tax [section 31(3)].
- Any person who has paid an advance tax but is not registered may, in the prescribed manner, make an application to the Commissioner for refund of such advance tax.
- The Commissioner shall, after receiving such an application, dispose it of in prescribed manner.
- ☐ Adjustment and refund of Advance Tax paid at import stage [Rule 19]
 - The registered person who has paid Advance Tax at import stage can make decreasing adjustment of the total Advance Tax paid, in the return of the tax period mentioned in sub-section (3) of section 31 [Rule 19(1)].
 - For fulfilling the purpose of Sub-Rule (1), the registered person shall perform decreasing adjustments by deducting all the VAT paid in advance from the total tax to be paid in the relevant tax period.
 - A person who has paid advance tax at import stage may apply to the Commissioner for getting refund of the total advance tax paid under the following conditions and procedures, viz:-

the concerned Commissioner with recommendation within 15 (fifteen) working days. the concerned Commissioner will recommend the case of exportable of exportable or expo exported goods by hundred percent export-oriented industrial establishment

Time of Payment of VAT on Taxable Supplies [Section 33]

- Time of Payment of VAT on Table 1997 the VAT imposed on a taxable supply shall become payable at the time when any of the following activities first occurs, namely
 - when such supply is made;
 - when a tax invoice for such supply is issued;
 - when a part or the whole of the consideration is received; and
 - when any supply is used personally or given to others for use.
- If any supply is considered as progressive or periodic supply, VAT imposed on such supply shall be payable at the time when any of the following activities occurs first [section 33(2)], namely
 - when separate invoices are issued for each such supply;
 - when receivable consideration for each such supply is received (part/full);
 - when the price against the sequence of supplies becomes payable.
- □ Notwithstanding the provisions of sub-section (2), if a progressive or periodic supply of water, gas, oil or electricity is made through a distribution network, the imposed VAT shall become payable within 90 (ninety) days from the date on which invoices against each such supply are issued.

Progressive or Periodic Supplies [Section 34]

- ☐ Each progressive or periodic supplies shall be treated as a separate supply.
- ☐ If each of the progressive or periodic supplies is not readily separable, such supply shall be treated as a series of separate supplies each corresponding to the proportion of the supply to which such separate part of the consideration relates,
- ☐ In relation to each part of a supply under a lease or of a right to use any property, the time required continuously over the period of such lease or right of use shall be treated as the time of supply.

Supply of Multiple Types of Goods and Services Through Single Challan

Where a supply consists of multiple types of goods and services, tax shall be imposed in the following manner (section 35), namely -

☐ for every supply, each type of goods or service shall have to be shown separately; a supply consisting of the characteristics of a single supply from an economic point of view shall not be split artificially.

22.18 **MANNER OF VAT COLLECTION ON SPECIAL SUPPLIES**

CLO 22.6

Provisions and Rules about Sale of an Establishment as a Going Concern According to sub-section (1) of section 36, Where a person transfers an establishment in Bangladesh as his running business in the process of an economic activity, such transfer shall be treated as a single supply and such single supply shall not be In the matter of applicability of the provisions of sub-section (1) the running business establishment has to be acquired with an intent to kear the economic activity going In the matter of applicability of the provisions of sub-section (1) the running business after its sale took effect and the nurchasor has to keep the economic activity going establishment has to be acquired with an intent to keep the economic activity going an uninterrupted management of the economic activity acquire all that is necessary for If a part of a running business establishment is capable of being operated separately, and a separate of the s Such part shall be regarded as a separate economic activity. Moreover, in the matter of

such part shall be regarded as a separate economic activity. Moreover, in the matter of applicability of the provisions of sub-section (1), for the purposes of working out the the input tax paid on a service taken up for transfer shall be determined in the value of a transfer shall not be included in the proportionate credit ascertained

Sub-section (5) of section 36 specifies that no person shall transfer a running business establishment without making full payment of all payable taxes and arrear dues. Notwithstanding the provision of sub-section (5), a Commissioner may subject to such conditions and such limitations as may be prescribed, permit a transfer, if the purchaser submits an unconditional bank guarantee from a scheduled bank for full payment of all payable taxes arrear dues. Under the provision of sub-section (1), the purchaser shall be treated as the successor to the supplier from the date of the transfer and the supplier shall provide the purchaser with the information necessary to properly comply with the provisions of this Act, and the Board may make such rules as are necessary to make sure that the supplier provides such information.

Rights, Options, and Vouchers [Section 37]

Where a right or an option is exercised, the consideration for a supply made through an exercise of such right or option shall be equal to the remainder, if any, of the consideration given for such supply. However, according to sec 37(2), a voucher that is accepted as payment (part/full), for a supply; the consideration for such supply shall be the remainder of the value after subtracting the value of such voucher. This provision shall not apply where the supply of a voucher is not a taxable supply.

Explanation: Here, "voucher" means any given receipt ticket, acknowledgement receipt or any similar document issued electronically the bearer whereof acquires the right to have the supplies of any good, service, or immoveable property, but does not include a postage or revenue stamp.

Lotteries/lucky draws, Housie, Raffles, &Similar Undertakings [Section 39] Where a person runs a lottery, lucky draw, housie, raffle, or similar undertaking, the consideration for tickets (by whichever name described) sold by such person shall be

ASSESSMENT OF NET PAYABLE TAX BY THE TAXPAYER AND PAYMENT THEREOF

Assessment of Net Payable Tax and Rules of Payment Procedure According to sub-section (1) of section 45,the amount of net tax payable by a taxpayer for any tax period shall be assessed in the following manner, namely by adding all the output taxes and supplementary duty payable in such tax period; by subtracting all of the input tax credits entitled to be claimed in such tax period from the summation under clause (a); by adding all increasing adjustments of that registered person in such tax period; by deducting all decreasing adjustments of that person in such tax period.

The net payable tax assessed in the process outlined above shall, in the prescribed manner, be paid by the taxpayer before filing the return for such tax period.

Tax payment procedure | Rule 25|

The registered or enlisted person, after determining the net tax of a specific tax period shall pay it to the government treasury in specific code of accounts. In case the tax is paid through online, the Acknowledgement Slip generated from the VAT computer system after payment of tax shall be considered as evidence of the payment of tax. Except online payment of tax, if tax is deposited by any other means, documentary evidence of tax payment shall have to be submitted with the return.

Input Tax Credit [Section 46]

Except as provided otherwise in this Act, a registered person, in the course of his economic activity, shall be entitled to an input tax credit against the Value Added Tax imposed on a taxable supply, except in the following cases, namely-

if the value of a taxable supply exceeds Tk.100,000; and the full consideration
against such supply is paid through means other than by banking channel or
mobile banking platform:

☐ if output tax payable on the said service U/s 20 is not shown separately in the return, in the case of receipt of imported service;

☐ if input tax credit is not taken in the tax period when inputs have been purchased or collected through invoice/bill-of-entry or within four succeeding tax periods;

□ VAT paid on the goods or services under the custody or possession or supervision of another person, as the case may be except production on contract;

☐ if any goods or service has not been entered into the Purchase Register or Purchase-Sale Register, prescribed by Rules;

 \square if name, address and registration number of both the buyer and the seller are not mentioned in the tax invoice;

☐ when supply is received from the importer, if the invoice issued by the importer does not contain the Bill of Entry number of the concerned import consignment and when there is no match between the commercial description based on

the price of the ticket. The price of the tickets sold at a discount to distributors, or the price of the ticket. The price of the discount. In this section, "price of the agents shall be calculated exclusive of the huver, who holds the time. agents shall be calculated exclusive of the buyer, who holds the ticket with a ticket means the amount of money payable by the buyer, who holds the ticket with a desire to wm, and participates in the undertaking.

Value of in-kind Benefits Given to an Employee or Officer [Section 40]

Where a person, registered or required to be registered, makes a supply of an in-kind Where a person, registered or required benefit in lieu of cash to any of his employees or officers, such a supply shall be benefit in heu of cash to any of his benefit in heu of heu of heu of heu of heu of his benefit in heu of h taxable.

Moreover, where such person supplies to any of his employees a service or an unmovable property without a consideration or at a price less than the fair market price, the value of such service or immovable property shall be its fair market price.

Lay-by Sales [Section 41]

Where a supply of goods is made under a lay-by agreement, the output tax on such supply shall become payable when payments for such supply are made and, in each tax period, taxes shall be assessed and paid at the time of payment of the price; and the amount of assessed output tax in each tax period shall be the tax-fraction of the payments made in that period. Moreover, a separate tax invoices shall be required to be issued against payment of each installment under the case.

Cancelled Transactions [Section 42]

Where a transaction for a supply is cancelled, and a portion of the consideration previously received is retained by the supplier at the time of returning it, then the tax applicable on the portion thus retained may be adjusted while making adjustments in consequence of the cancellation.

If a transaction for any supply is cancelled, and the supplier realizes any money from the recipient as a consequence thereof, that realized money shall be treated as the consideration for the supply in the tax period in which it is realized and taxes shall be pavable.

Provisions and Rules about Sale of Property to Pay Off a Debt [Section 43]

Where a person (creditor) takes a supply, by way of sale, of the property of another

per	son (debtor) in full partial settlement of a debt owed by the debtor to the creditor,
	the supply shall be deemed to have been made by the debtor;
	the creditor shall be liable to pay the taxes, if any, payable on the supply; and
	After payment of the debt and other debts, payable VAT shall be deposited on
	priority basis before any surplus money may be returned to the debtor.

The debtor and the creditor shall be jointly and severally liable for the payment of the taxes. The Board may prescribe the conditions for, and the manner in which, an unregistered creditor may pay Value Added Tax under the provisions of this section.

description in the Bill of Entry;

rendering of exempted service;

or rendering of service;

Guarantee was furnished have been finally settled;

☐ Turnover Tax paid under the purview of Turnover Tax

case of total input price changes more than 7.5 percent; \square goods or services are delivered at a price lower than the cost.

the vehicle is acquired for that purpose;

business identification number;

port and telephone service;

No input tax credit shall be allowed against an acquisition or import, if $\boldsymbol{-}$

is provided in the normal course of his economic activities;

filing of returns, be in possession of the flowing documents, namely -

☐ In case of a supply, a tax invoice issued by the supplier;

description in the Bill of Educy.

input tax involved with Bank Guarantee portion, in case of raw-materials or input tax involved with Bank Guarantee until, the causes for out-of-

Guarantee was turnished have been goods and input tax paid on inputs used in the manufacturing of exempted goods and

☐ Supplementary Duty paid on goods or service used in the manufacture of goods

☐ VAT paid on purchase of inputs for supply of such prescribed goods or service

□ input tax paid against inputs/goods not declared in the Input-Output Coefficient:

additional increased input tax, if new Input-Output Coefficient is not submitted in

□ such acquisition or import relates to a passenger vehicle, or its spare parts or for

 \square such acquisition or import relates to entertainment or is used to provide

 \square such acquisition relates to a person's membership or right of entry in a club, association, or society, of a sporting, social, or recreational nature; such acquisition is more than 80% of goods transport related service expenditure.

A registered person shall, in support of his claims for input tax credit at the time of

☐ In case of an import, a bill of entry bearing the name of the importer and the

☐ Treasury Challan Copy in support of deposit of tax, in case of section 20(2); ☐ Bill issued by the concerned organization which shall be considered as invoice, in case of taking credit of the VAT paid on gas, water, electricity, bank, insurance,

the repair and maintenance services of such vehicle: provided that input tax credit

may be allowed when dealing in vehicles, renting them out or supplying

transportation services are included in the economic activities of such person and

entertainment: provided that input tax credit may be allowed when provision of entertainment relates to such person's economic activities and the entertainment

on which the rate of VAT is below 15% or fixed, except in export related cases:

input tax involved with Bank Guarantee, until, the causes for which Bank goods released furnishing Bank Guarantee.

	- Mine Anneu Tax
artial Input Tax C	
Tax Credit ISant	
Partial Input Tax Credit Section 47	7

Where a registered person pays or is liable to pay a part of the consideration for a taxable supply, any input tax credit to which the person is entitled shall be calculated on the basis of the amount of the consideration such person pays or is liable to pay. If any registered person is engaged in providing goods or services (one or multiple types) under regular VAT rate or reduced rate or specific rate or exempted or zero rated, he shall be entitled to claim input tax credit u/s 46 only against goods or services delivered under regular VAT rate or zero rate. At the end of the tax period such partial input tax credit related adjustments must be shown in the relevant documents.

A registered person shall be entitled to claim input tax credit against an import or acquisition in a tax period; but if he is not entitled to the input tax credit in full, his entitlement to it against his total imports and acquisitions shall be calculated under the provisions of sub-section (3) of section 47 as stated below.

$I \times T \div A$

Where, 'I' is the total amount of input tax originating from imports or acquisitions to which this sub section relates and for which a credit is sought in such tax period; 'T' is the value paid by the registered person mentioned below of the taxable supplies on which input tax credit is allowed U/s 46 during the tax period; and 'A' is the value paid by the registered person of all the supplies during a tax period.

For purposes of this section, the Board may determine -

increasing adjustment because of change in VAT rate;

	which input or inputs shall or shall not be included in the above formula; when and how T/A fraction shall be rounded up or down to full number; the annual adjustment made at the end of each calendar year; the special procedure in relation to receiving partial tax credit by the suppliers of financial services; the actual use of any property with the claimed input tax credit in relation t additional adjustments made against capital assets.
with adju	en an adjustment event occurs, a taxpayer may, at such amount, on such terms thin such time and in such manner as may be prescribed, may make increasing ustment in the following cases, namely: increasing adjustment for tax deducted at source; increasing adjustment in consequence of an annual recalculation; increasing adjustment for not making payments through banking channels; increasing adjustment for goods put to a private use;
	increasing adjustment on being registered; increasing adjustment because of cancellation of registration; increasing adjustment because of change in VAT rate;

Invoice issued by banks, Mobile Financial Service Provider, and any Digital Payment Gateway Organization against the payment of electricity bill, in due course and method, will be considered as invoice.

733

previous tax period;

any other prescribed decreasing adjustment.

Tax - Theory him
increasing adjustment for payment of interest, monetary penalty, fine, fee, etc. any other prescribed increasing or decreasing adjustment.
within such time and in such man.
taxpayer, at such amounts
taxpayer, at such amount, on such terms, with the following cases, namely: y be prescribed, may make decreasing adjustment in the following cases, namely:
y be prescribed, may make the money paid as Advance Tax; decreasing adjustment for money paid as Advance Tax; decreasing adjustment of tax deducted at source against supply made by supplier; decreasing adjustment of tax before a result of annual recalculation or audit.
decreasing adjustment of tax decreasing adjus
decreasing adjustment of tax deductions are sult of annual recalculation or audit; decreasing adjustment applicable as a result of annual recalculation or audit;
decreasing adjustment approached to decreasing adjustment for issuance of credit note;
. Il. atment hecalise of charies
decreasing adjustment claimed for a negative net amount carried forward from a

Tax Withheld at Source and Increasing Adjustment by Withholding Entity

☐ decreasing adjustment for VAT overpaid in previous tax period; or

Aside the provisions of section 33, subject to the provisions of section 49(2), if a supplier makes a supply, which is not exempted or zero-rated, to a withholding entity against agreement, tender, work-order or by any other means, the withholding entity shall withhold at source, the determined VAT in the manner prescribed in the rules from the consideration payable to the supplier.

However, as per section 49(2), if a supplier is not registered or enlisted, and if a combined tax invoice and withholding certificate is not issued, the withholding entity shall not receive any supply from such supplier and shall pay no price against such supply to the supplier. Provided that the client will be responsible to pay the VAT against the receipts of any goods or services from a supplier not registered or enlisted. A withholding entity shall deduct and pay the withheld VAT in prescribed time and manner.

For the tax withheld at source and for the deposit thereof to the government Treasury, the withholding entity and the supplier shall be jointly and severely liable. If under any project, VAT payable by any service recipient is collected at source or deducted and deposited to the government treasury in prescribed manner while paying service value or commission by service recipient or as the case may be by the person paying the service value or commission and if that service provider appoints any subcontractor, agent or any other service rendering person with the purpose of providing a part of the total service, in such case, VAT shall not be collected at source again from such sub-contractor, agent or any other service rendering person appointed by the service provider, subject to submission of documentary evidence of collection or deduction of VAT payable primarily on the service and deposit of the same to the government treasury (as VAT is not applicable]; but, this provision shall not apply in the case of purchase of goods under any project.

Decreasing Adjustment by the Supplier After the Tax Withheld at Source If a tax is withheld at source, the registered person may, in the prescribed manner, make a decreasing adjustment equal to the amount of money withheld at source [Sec 50]. The adjustment shall be claimed in the tax period payment is made against any supply or within the next 3 tax periods and a claim after such period shall be timebarred. No decreasing adjustment shall be claimed by a supplier if he does not issue a combined tax invoice and withholding certificate in favor of the withholding entity.

CLO

22.6

TAX INVOICES AND OTHER DOCUMENTS

- ☐ Tax invoice [section 51]: Every registered or enlisted person shall issue a tax invoice in prescribed manner on such date or before that date when tax becomes payable on the taxable supply.
- ☐ Credit notes and debit notes [section 52]: Sub-section (1) of section 52 requires every credit or debit note shall include the following information. If a credit note does not contain the information specified in clause (f) of sub-section (1), it shall not be used in support of a claim for any decreasing adjustment.
 - the serial number of the credit/debit note, and the date and time of its issue;
 - the name, address and business identification number of the supplier;
 - the serial number, date and time of the relevant original tax invoice;
 - the nature of the adjustment;
 - the effect on the amount of VAT;
 - the name, address and business identification number of the recipient (in applicable cases) of the supply if the amount of VAT payable on the supply is more than Tk. 5,000; fif a credit note does not contain such information of the reciepient, it shall not be used in support of a claim for any decreasing adjustment]:
 - any other information necessary to identify the amount of any increasing or decreasing adjustments because of any adjustment event.
- ☐ Tax withholding certificate [section 53]: While tax withholding entity receives any supply from any registered person, the tax withholding entity shall issue tax withholding certificate in the manner prescribed by the Board while making payment against the supply by him.
- ☐ Other provisions relating to tax documents [section 54]: The Board may frame rules in respect of tax documents and issuance of copies thereof, and of the terms of preservation, manner and time limits of submission thereof.

22.21

IMPOSITION & COLLECTION OF SUPPLEMENTARY DUTY

CLO 22.7 Imposition of Supplementary Duty [Section 55]

sub-section (1) of section 55 specified that the supplementary duty (SD) shall be imposable and payable on the import of goods, the supply of goods manufactured in Bangladesh and on the supply of services rendered in Bangladesh, if they are subject to SD in Bangladesh. Notwithstanding anything contained in sub-section (1), no SD shall be imposed on an import of goods subject to SD if such goods is imported for shall be imposed on an import of goods of specified in sub-section (1), no SD export, and not for home-consumption. Creeds or services that are zero export, and not for home-consumptions of goods or services that are zero-rated under shall also be imposed on the supply of goods or services subject to the supply of goods or services that are zero-rated under shall also be imposed on the supply of goods or services subject to SD shall Chapter Three of this Act. SD on the supply of goods or services subject to SD shall be a be payable at only one stage. The amount of payable SD shall be,be payable at only one stage. The amount arrived at by the duty in if a rate of SD is specified to the spec dutiable value of the goods or services by such rate; or if a specific amount of SD is specified against a good or service, subject to supplementary duty, in column (4) of the Second Schedule, such amount. □ SD on the supply of goods or services subject to supplementary duty shall be payable at only one stage. Persons Liable to Pay Supplementary Duty [Section 56] Every person specified below shall be liable to pay supplementary duty, namely-☐ in the case of import of goods subject to supplementary duty: the importer: in the case of supply of goods manufactured in Bangladesh and subject to supplementary duty: the supplier; or in the case of supply of services subject to supplementary: the supplier of such services unless otherwise specified. The Value for Imposition of Supplementary Duty [Section 57] For the purposes of imposing supplementary duty (SD), the value of the goods or services subject to supplementary duty shall be as follows, namely: in relation to an imported good subject to SD, the value that is arrived at adding customs duty, regulatory duty and other duties (if any) with the value on which customs duty is leviable under section 25 or 25(a) of the Customs Act: customs duty is leviable. ☐ in relation to a supply of goods or services subject to SD, the value of such taxable supply shall be arrived at by deducting the SD from the value determined under section 32. Provided that if the supply of any good or service subject to SD is made without any consideration or with inadequate consideration, the value for imposition of SD on such good or service shall be arrived at by deducting SD from the tax fraction of the fair market price of such supply; and

Special Schemes for Tobacco and Alcoholic Goods [Section 58]

For the purposes of imposition and realization of supplementary duty (SD) on the following goods manufactured in Bangladesh or imported in Bangladesh for the purpose of sale and subject to SD, the Board may, subject to the provisions of this Act or the rules made thereunder, make a special scheme to be complied with by the

☐ in relation to any good where VAT is imposed based on retail prices, the retail

price described in Sec 58(2) shall be regarded as the value for imposition of SD.

tobacco or any other similar product, including products blended with tobacco; or alcoholic drinks, ingredients of alcoholic drinks or any other similar product. The Board may, by means of such special scheme, set a maximum retail price for the goods, which shall be treated as the value for imposition of VAT and supplementary duty. Such special scheme shall include matters in relation to the: stamps, banderols or special signs or marks of any particular size or design containing security features on the packages, bottles, pots or containers of such goods, or on the bodies thereof, or any other similar matter; and manufacture, acquisition, distribution, preservation, use supervision, observation, accounting, disposal, etc. of such stamps, banderols/of the special signs or marks.

Collection of Supplementary Duty on Imports [Section 59]

The supplementary duty on an imported good subject to such duty shall be collected at the same time and in the same manner as the customs duty on such good is collected. Sub-section (2) of section 59 also specified that, same as otherwise provided in this Act, in relation to an import of goods, for the purposes of collecting and paying the supplementary duty, the provisions of the Customs Act shall (with necessary modifications and adaptations) apply in such a way as if the supplementary duty payable on imports were a customs duty.

Without affecting the generality of the provision of sub-section (2), whenever any bond or guarantee is demanded under the Customs Act, the amount so demanded shall be calculated in such manner as if the payable supplementary duty were a customs duty on the imported goods.

Collection of Supplementary Duty on Supplies [Section 60]

Supplementary duty on the supply of a good or a service subject to such duty shall become payable at the same time when VAT becomes payable on such supply. Every person liable to pay supplementary duty shall, in the VAT return, includes the information relating to the supplementary duty.

Presumed Supply of Goods Subject to Supplementary Duty [Section 61]

If a person, who manufactures any goods subject to supplementary duty, fails, at the time of an audit, to provide proper and specific accounts about the quantity of such good supplied by him, then the goods supplied shall be determined on the basis of input-output coefficient declared by such person and such person shall be presumed to have supplied such goods for a fair market price. If such goods are destroyed by fire or any other natural disaster, then on submission of application to the Commissioner in the manner prescribed by rules and on consideration of the application. supplementary shall not be payable in the case.

Decreasing Adjustment for Supplementary Duty [Section 62]

Any person importing a good subject to supplementary duty may, within such time and in such manner as may be prescribed, make a decreasing adjustment of the

V 8 32 3

supplementary duty paid by him on the import, if the goods is in compliance with the conditions of a drawback of duties under the Customs Act.

CLO

22.7

IMPOSITION AND COLLECTION OF TURNOVER TAX According to section 63, Every person enlisted or required to be enlisted shall pay According to section 63, Every person on the turnover of his economic activities turnover tax at the rate of 4 (four) percent on the turnover of his economic activities turnover tax at the rate of 4 (1001) possessing any enlisted person shall be paid before.

The turnover tax payable in a tax period by any enlisted person shall be paid before. The turnover tax payable in a tax period. Manners in respect of assessment and collection of filing the return for such period. Manners in respect of the refund of the filing the return for such period. Indianate the refund of turnover tax, of keeping accounts, of the refund of turnover tax, of the payable turnover tax, of the payable turnover tax, or recognized the payable turnover tax, of adjudication and of other auxiliary matters relating thereto shall be determined by adjudication and of other auxiliary rules. Value Added Tax or Turnover Tax paid on the inputs purchased by the enlisted person cannot be taken credit or decreasing adjustment.

ACCOUNTING OF VALUE ADDED TAX [Rule 40]

CLO 22.6 A registered person shall have to maintain properly in his place or places of supply the following books, invoices, withholding certificate, and credit note and debit note whichever is applicable in the form and procedure mentioned for them [Rule 40 (1)]

- ☐ Books of Accounts for purchase: A registered person shall preserve in "VAT-6.1" form accounts of all his purchases related to his economic activity;
- Books of Accounts for sale: A registered person shall preserve in form "Mushak-6.2" accounts of all his sales related to his economic activity;
- ☐ Books of Accounts for purchase-sale: If a registered person purchases the goods which he supplies without any processing, then he shall preserve in form "Mushak-6.2.1" accounts of all his purchase-sale of those goods;
- ☐ VAT invoice: A registered person shall issue VAT invoice in accordance with the following procedure, such as-
 - a VAT invoice against each supply in "Mushak-6.3" form;
 - actual date and time of issuance of invoice;
 - name, address and Business Identification Number of the supplier;
 - name, address and Business Identification Number of the purchaser, if the value of the supply exceeds Tk. 25,000 (Twenty five thousand);
 - description, amount of the goods, amount, date of supply made, time, nature and number of the transport;
 - value of supply (without VAT)
 - VAT rate applicable on the supply;
 - amount of VAT payable;
 - Summation of value of supply and VAT payable;
 - fiscal year wise serially numbered tax invoice;
 - if the registered person makes supply from more than one places, then separate serially numbered tax invoice mentioning name, address and invoice number for each place;

tax invoice in such minimum in 2 (two) copies, of which the original has to be given to the purchaser which has to accompany with the vehicle while

transporting goods and copy has to be preserved by the registered person: in the case of supply where source deduction applies, the very tax invoice is unified tax invoice and certificate for tax deduction at source;

any other information determined by the board.

 \square Invoice for contractual manufacturing: A registered person shall have to issue invoice for contractual manufacturing in the following procedure, viz: -

- with the purpose of manufacturing contractual goods, inputs of the goods related to their economic activity and goods manufactured shall have to be reciprocally transferred in form "Mushak-6.4" between the contractually bound registered persons;
- for contract manufacturing, the owner of the goods may be directly delivered imported material to the contract manufacturer from the place of import;
- invoices for contractual manufacturing shall be serially numbered as per fiscal year:
- if the registered person makes supply from more than one places, invoices for contractual manufacturing with separate serial numbers may be issued from each place on which the name of the place, address and the serial number of the invoice shall remain included;
- invoice for contractual manufacturing would have to be issued minimum in 2 (two) copies of which the original shall have to be given to the recipient of inputs or goods manufactured and the duplicate shall have to be preserved by the registered supplier; and
- in the contractual manufacturing process, a tax invoice has to be issued in form "Mushak-6.3" following supply of the manufactured goods to the actual owner of the goods for the consideration received or to be received against contractual manufacturing.
- ☐ Invoice for transfer of goods: A registered person shall have to issue invoice in the following manner for transfer of goods, viz:
 - a registered person shall transfer the goods related to his economic activity in form "Mushak-6.5" from a branch to other branch (including warehouse);
 - invoices for transfer of goods shall be serially numbered as per fiscal year;
 - if the registered person makes supply from more than one places, invoice for transfer of goods with separate serial numbers may be issued from each place on which the name of the place, address and the serial number of the invoice shall remain included;
 - invoice for transfer of goods should issue minimum 2 (two) copies of which the original should be sent to the branch (including warehouse) receiving the goods and the duplicate has to be preserved in the branch issuing the invoice.
- ☐ Certificate for tax deduction at source: A registered person shall issue certificate for tax deduction at source in the following manner, viz:-

• if the registered person makes any supply to any withholding entity, a lax if the registered person makes and if the registered person makes and in the procedure described in invoice shall be issued in "Mushak-6.3" form in the procedure described in

- the recipient of the supply who is registered or enlisted shall issue a the recipient of the supply at source in favor of the supplier in form certificate for tax deduction at source in favor of payment of considerable and the supplier in form certificate for tax deduction for tax deduction working days of payment of consideration:
 "Mushak-6.6" within 3 (three) working days of payment of consideration:
- a recipient of the supply who is not registered or enlisted shall issue a a recipient of the supply a recipient of the supplier in form "Mushak-6.6" within 3 certificate for TDS in favor of the supplier in form be being inc. certificate for 1DS in 1970. or as the case may be, being informed under working days of the deposit, or as the case may be, being informed under working days of the deposit working days of the deposit to the government treasury Sub-Rule (4) of Rule (38) following deposit to the government treasury within 15 days of the payment of consideration [Clause (c)];
- Notwithstanding anything contained in Sub-Clause (c), the recipient of the Notwithstanding anything for tax deduction at source against more supply may issue one certificate for tax deduction at source against more than one supply where source deduction is applicable with reference to the tax invoices in form "Mushak-6.3" issued by the supplier;

	p. 1- 27 the registered person shall issue
	Dabit Note: As per Rule 27, the registered person shall issue
	Credit Note and Debit Note: As per Rule 27, the registered person shall issue
_	"Mushak-6.7" and Debit Note in
	Credit Note and Debit Note: As per Nute 27, but form "Mushak-6.8". Credit Note in form "Mushak-6.7" and Debit Note in form "Mushak-6.8".

Note: For fulfilling the purposes of this Rule,

- Debit Note means a supplementary invoice which is related to the amendment of one or more than one invoice issued earlier based on which the registered person can make increasing adjustment as per provisions of Bangladesh Accounting Standard ((BAS), Bangladesh Financial Reporting Standard (BFRS), Bangladesh Standard of Auditing (BSA) and internationally accepted accounting system.
- Credit Note means a supplementary invoice which is related to the amendment of one or more than one invoice issued earlier based on which the registered person can make decreasing adjustment as per provisions of BAS, BFRS, and BSA and internationally accepted accounting system.

As per Rule 40(2), the registered person can preserve in his, own format the forms described in this chapter including additional information for the requirement of his business, where-

000	.,,,,,						
	there	will	be	the	name	of	Form:

_	tilete will be the hame of the	
	all information of the prescribed	I form shall be included; and
	•	the day

☐ the concerned form shall be issued in minimum prescribed copies.

No defective or incomplete "VAT Invoice", "Certificate for Tax Deduction at Source", "Debit Note" and "Credit Note" shall be considered as documentary evidence for credit or adjustment. Notwithstanding anything contained in Sub-Rule (1), the registered or enlisted person shall sequentially complete accounting, reporting and auditing as per Bangladesh Accounting Standard, Bangladesh Financial Reporting Standard and Bangladesh Standard on Auditing [Rule 40 (4)].

Besides, all the documents to be preserved for the conduct of business and that depicts the status of business including the documents prescribed under Sub-Rule (4) shall be considered as commercial documents and that can be used to determine the tax liability of the registered person. A registered person is not allowed to maintain accounting at the same time in prescribed format under this Rule and in own method following the provisions of Sub-Rule (2). The Board, by an order in government gazette, may declare the invoice or bill issued in their own format by any registered person as tax invoice.

ACCOUNTING OF TURNOVER TAX[RULE 41]

Any registered person in his place of supply shall preserve in form "Mushak-6.1" and "Mushak-6.2" or if applicable "Mushak-6.2.1" respectively the accounts of all his purchase-sale related to his supply. Besides, the enlisted person shall issue Turnover Tax invoice in the following procedure, viz:

- ☐ A Turnover Tax invoice in form "Mushak-6.9" against each supply;
 - Turnover Tax invoice shall be serially numbered on the basis of fiscal year;
- If the enlisted person makes supply from more than one places, invoices with separate serial numbers shall have to be issued from each place in which the address of the place and number of the invoice shall remain mentioned; and
- ☐ The Turnover Tax invoice shall have to be issued in 2 (two) copies, of which the original invoice shall have to be given to the purchaser and the enlisted person shall preserve the copy at his place of business.

FILING OF RETURN AND AMMENDMENTS THERETO

Filing of Return [Section 64] CLO 22.6

CLO

22.7

1301000, 80

Every person, registered or enlisted or required to be registered or required to be enlisted, shall, in such manner as may be prescribed by the Board, file the return for each tax period within a period not exceeding 15 (fifteen) days after such tax period expires. Provided that return is to be submitted on the next working day if 15th day is government holiday.

Notwithstanding anything contained contrary in any provision of this ACT, for reasons of epidemic, pandemic, acts of God or war, the Board, in public interest, with prior approval of the government, by an order, can extend the time limit for submission of return for that period of danger exempting from collection of interest and fine. Such order can be given with retrospective effect. A VAT return, inclusive of the information on the payment of supplementary duty, shall be filed.

The Commissioner may, on an application made within such time, on such terms and Late Filing of Return [Section 65] in such manner as may be prescribed, grant a person permission to file a return late,

The State of the second

but such permission shall not extend the actual date for payment of taxes beyond

more than 1 (one) month or shall not alter the liability to pay interests.

Amendments to Return [Section 66] Amendments to Return [Section and application made by a taxpayer within such time, on The Commissioner may, on an application made by a taxpayer within such time, on The Commissioner may, on an approximate may be prescribed, grant such taxpayer a such terms and in such manner as may be prescribed, grant such taxpayer a such terms and in such manner after removing the clerical mistakes and permission to file an amenucu technical permission to file an amenucu technical permission to file an amenucu technical may determine the surrounding omissions from such return, on a decreasing adjustment may arise as a result of circumstances on the pasts of this section and returns may be filed without paying monetary penalty.

Filing of Complete, Additional, or Alternative Returns [Section 67]

The Commissioner may, upon serving a notice, pass an order directing a person to file, within such time, on such terms and in such manner as may be prescribed, a complete, additional, or alternative return for a tax period; and similar order may also be passed for such registered person in relation to non-filing of an original return for any specified tax period.

Rules to be Followed Regarding Submission of Return and Amendment

- ☐ Submission of return [Rule 47]: The registered person shall submit Value Added Tax return in "Mushak-9.1" form and the enlisted person shall submit Turnover Tax return in "Mushak-9.2" form. Value Added Tax and Turnover Tax Return shall have to be submitted to the Commissioner, and except submission through online, it shall be signed and verified by the person mentioned below, viz:-
 - registered or enlisted person;
 - if the said person is not present in Bangladesh or for some other reason it is not possible for him to sign the return, then by a person properly authorized by him or by any other person who is in possession of the Power of Attorney to sign on that person's behalf:
 - VAT consultant who has been properly authorized by the registered or
 - in case of a non-resident person, by his agent.

With the purpose of submitting the return to the Commissioner, it may be dropped to the following places, viz:

- VAT Online system of the Board through online;
- Customs, Excise and VAT Commissionerate or Divisional Office or local Value Added Tax office related to the registered or the enlisted person;
- Any place designated by the Board or the concerned Commissioner;
- Any fair conducted by the Board or by the concerned Commissioner; Any other place designated by an order of the Board.

- ☐ Procedure of late submission of return [Rule 48]:
 - If a registered or enlisted person wants to submit return with delay in a tax period, he may file an application to the Commissioner in "Mushak-9.3" form within minimum 7 (seven) days before the end of the said tax period by citing proper reasons.
 - If the Commissioner considers the reasons mentioned in the application as valid, he shall grant his approval within 7 (seven) days of receiving the application. In case the Commissioner does not give his decision within 7(seven) days of receiving the application, it shall be deemed to have been
 - If late submission of return is approved and if it is submitted within the approved time, then the concerned registered or enlisted person shall not have to pay fine under section 85(1)(f) but he will have to pay interest under section 127.
 - If the registered or enlisted person does not take pre-approval of the Commissioner under this Rule for late submission of return, he shall have to pay fine under Clause (f) of Sub-Section (1) of section 85 and interest under section 127.
- ☐ Amendment of return [Rule 49]: After the submission of VAT or Turnover Tax return by a taxpayer, the submitted return may be amended in the following cases, viz:-
 - If there is any clerical error;
 - If the amount of tax paid is less because of some errors in calculation;
 - If the amount of tax paid is more because of some errors in calculation; or
 - If any other types of error is committed excepting forgery.

Rule 48(2) states, immediately after such errors are identified, the taxpayer-

- through return of concerned tax period by online; or
- in form "Mushak-9.4", shall submit application to the Commissioner; and
- in the application shall cite in details the reasons of error and the need for amendment.

Application for amendment can be submitted within 4 (four) years of submission of the relevant return; and cannot be submitted if the VAT authority starts any audit or enquiry or in any other manner the error is discovered. The Commissioner shall give his decision on the said application within 30 (thirty) days of receiving such an application if net tax of the concerned tax period requires to be lessened through amendment of return [Rule 48(4)]. If an application received under Sub-Rule (2) has not been approved within the time determined under Sub-rule (4), it shall be deemed to have been approved. In case any request of amendment of return is submitted by the taxpayer before the receipt of the audit notice and because of the submission of amended return the amount of net payable tax is increased, in that case-

- interest will have to be calculated on the applicable less paid tax under section 127; and to pay the less paid tax along with the interest, no penalty or fine can be
- imposed for reasons of amendment of return.

Where a request to amend the return is submitted by the taxpayer before the Where a request to amend the description of the amendment of return the amount of net receipt of audit notice and because of the amendment of return the amount of net

payable tax decreases, taxpayer will act as follows. payable tax decreases, taxpayer will be able to make a
 In case of Value Added Tax return: The taxpayer will be able to make a

- In case of value Auded to the additional amount within the tax period decreasing adjustment equal to the additional amount within the tax period determined by the Commissioner;
- In case of Turnover Tax return: The taxpayer will be able to deduct an amount from his payable Turnover Tax equal to the additional amount within the tax period determined by the Commissioner; or
- In case of withholding entity: Will receive tax refund according to the Act as determined by the Commissioner.
- ☐ Complete, additional or alternative return [Rule 50]: According to Rule 50(1). the Commissioner shall direct any person to submit a 'complete', 'additional' or 'alternative' return, be it on behalf of the said person or as an agent or trustee of someone else, after determining the tax period and the time of submission of return. The said person, on receiving the order under Sub-Rule (1) shall submit a "complete, additional or alternative" return within the time mentioned in the order. If the said person has already submitted regular return for the said tax period, it shall be deemed to have been replaced by the submitted "complete, additional or alternative return" under this Rule. Failure to submit or nonsubmission of "complete, additional or alternative return" within the time described in Sub-Rule (1) shall be deemed as a failure or irregularity under Clause (f) of Sub-Section (1) of Section 85.
- ☐ Calculation of time while submitting the return by post/by messenger [Rule 51]: In the case of the returns are sent by post or by messenger, the time limit mentioned in sub-section (1) of section 64 shall be calculated from its receipt.

CARRY FORWARD OF NEGATIVE AMOUNT & REFUNDS

According to section 68, if in a tax period, the sum of input tax and the receivable CLO decreasing adjustments exceeds the sum of output tax, supplementary duty and 22.6 increasing adjustments for such tax period, then the additional amount of money has to be carried forward and the above money can be debited in the next six tax periods. subsequently the remaining money has to be given refund as per this section. A registered person shall be allowed a decreasing adjustment for excess amount of money carried forward from earlier tax periods in the following manner-

in a subsequent tax period, the amount of tax payable for such period shall be

	determined by
	the call and account all and
	determined by taking into account all output taxes and all adjustments other than if the amount of monor of the action;
	amount of money of
	if the amount of money thus assessed is positive, such portion of the excess amount of money carried forward from the earlier tax periods shall be allowed as
	decreasing adjustment forward from the earlier tax periods shall be allowed as
	decreasing adjustments as would reduce the payable amount of money carried forward from solutions and the such amounts of money carried forward from solutions.
	such amounts of money carried forward from earlier tax periods as cannot be
	adjusted under clause (b), shall be carried forward from earlier tax periods as cannot be all the excess amount coming to the common tax and the excess amount coming to the common tax and the excess amount coming to the common tax and the excess amount coming to the common tax and the excess amount coming to the common tax and the excess amount coming to the common tax and the excess amount common tax and the excess are and the excess are an excess are an excess and the excess are an excess are an excess and the excess are
	a portion or all of the excess amount of
	 a portion or all of the excess amount of money carried forward for a particular period is carried forward for six tax periods.
	tor ward for six tax periods.
If a	fter carrying forward for 6 tax periods, amount remains unadjusted, then-
	until it is reduced to nil; or
	in other cases, such amount of money, shall, on receipt of an application made on
	such terms and in prescribed an application made on
	such terms and in prescribed manner, he refunded within 3 (three) months.
Re	funds Without Carry Former L. C.N N.
Δc	funds Without Carry Forward of Net Negative Amounts of Money
; f +1	per Section 69, notwithstanding anything contained in the provisions of section 68,
11 11	ne amount of money payable by a registered person is in the negative, such person
sha	If be entitled to a refund of such amount if the Commissioner is satisfied that –
	fifty percent or more of such person's turnover is or will be derived from zero-
	rated supplies under Chapter Three;
	fifty percent or more of such person's expenditure on inputs is on imports or
	acquisitions used in the manufacture of zero-rated supplies under Chapter Three:
	in other cases, the Commissioner is satisfied that the nature of such person's
	in outer cases, the Collinius sioner is satisfied that the nature of such person s

does not apply), regularly results in excess input tax credits; such person's payment of supplementary duty for input is adjustable against the export of goods and such person isn't involved in local supply of goods on which supplementary duty is applicable.

economic activity (the economic activity to which subsection (2) of section 68

When an application, on the terms and in the manner as prescribed under this section, is made for a refund of money and if the amount does not exceed Tk. Fifty thousand (50,000.00) only, such amount shall be carried forward as a decreasing adjustment in the next tax period; or the Commissioner shall, in other cases, refund the money within 3 (three) months from the date of the application.

Application of the Refunded Money [Section 70]

No refund of money shall be made to a person under section 68 or 69 unless and until the applicant files all VAT returns up to the current tax period. If a refund becomes payable to a person, the Commissioner shall apply the refund first in reduction of any outstanding liability of the person for taxes (including interest, monetary penalties, or fines) payable under this Act [section 70(2)]. After application of sub-section (2), if

22.4

there is a remainder of money and such amount does not exceed Tk. Fifty thousand there is a remainder of money and such observations to refund the amount and may (50,000.00) only, the Commissioner may choose not to refund the amount as a decrease of the commissioner may choose not to refund the amount as a decrease of the commissioner may choose not to refund the amount as a decrease of the commissioner may choose not to refund the amount and may choose not to refund the amount as a decrease of the choose not to refund the amount as a decrease of the choose not to refund the amount and may choose not to refund the amount and may choose not to refund the choose not to refund (50,000.00) only, the Commissioner and may, instead, accord permission to the registered person to treat the amount as a decreasing instead, accord permission to the registered person to treat the amount as a decreasing adjustment in a tax period determined by the Board.

Refund or Adjustment of Taxes Paid in Excess [Section 72] Refund or Adjustment of the second state of th If a person pays taxes in excess may, within such time, on such terms and in such period, such excess payments may, within such time, on such terms and in such period, such excess payments may be claimed as refund through an application or may be manner as may be prescribed, be claimed as refund through an application or may be shown as a decreasing adjustment in the next return.

VALUE ADDED TAX AUTHORITIES

CLO 22.1 22.2

According to section 78 of the Value Added Tax and Supplementary Act, 2012, the Board appoints certain officials for the purpose of effective application of the VAT law and rules. These officials, as a whole, are known as Value Added Tax authorities They hold the sole responsibility to execute the provisions of laws relating to VAT TT and SD applicable in Bangladesh and to run various departments formed for streamlining the functions like identification of assesses, computation and collection of VAT and other relevant taxes, receiving application in this regard and appeal settling the appeals, imposition of fines and penalties for offences etc.; even doing necessary adjustments in VAT law, as and when necessary.

Types of VAT Authorities

VAT authorities may be classified into two major groups depending on their functions and powers, namely

- ☐ Administrative Authorities: To look after the total administration of VAT wing starting from identification of assessees to the collection of VAT, TT and SD from the assessees. They are also responsible to maintain an effective coordination in administration, management and control among various VAT offices of the country.
- ☐ Judicial Authorities: To hear the claims of the assessees and settle the claims through providing verdict as early as possible.

These two authorities with office bearers are depicted exhibit 21.4 in order of their respective power, authorities and responsibilities.

Duties and Responsibilities of the VAT Authority [Section 79]

The Board shall, under the provisions of this Act, carry out all the functions, including the policy making functions, and discharge all the duties and exercise all the powers of the VAT Authority. The VAT officials shall perform, while remaining under the control, surveillance and supervision of the Board, all or any of the functions, discharge all or any of the responsibilities and duties, and exercise all or any of the powers described below, namely:

EXHIBIT

Value Added Tax Authority

	VATAL	uthority
Тор	Administrative National Board of Revenue	Judicial Appellate Tribunal
Middle	Chief Commissioner, Value Added Tax Commissioner, Value Added Tax Commissioner, (Appeal), VAT Commissioner, (Large Taxpayer Unit), VAT DG (Central Intelligence Cell) DG (Gen, Audit, Intelligence & Investigation, VAT) DG (Customs, Excise & VAT Training Academy) DG (Duty Exemption & Drawback Office, VAT) DG (Customs, Excise & VAT Training Academy) Add. Comm., Add. DG or Director (CIC), VAT	Commissioner (Appeal), VAT
Bottom	Joint Comm., Joint Director (CIC) or Director, VAT Deputy Commissioner or Deputy Director, VAT Assistant Commissioner or Assistant Director, VAT Revenue Officer, VAT Assistant Revenue Officer, VAT; and Any other officer appointed by the Board	

- ☐ tax collection and activities relating to keeping accounts thereof;
- application of the provisions of this Act and the rules made thereunder and administrative functions; and
- any other function or duties and responsibilities assigned to them by the Board to carry out the purposes of this Act.

Subject to such limitations and conditions as may be determined by the Board, by a general or special order, the VAT officers shall, under the provisions of this Act or the rules made thereunder, perform all-

□ such functions discharge such responsibilities and duties, and exercise such powers as may be bestowed upon them; and an official junior in rank and status shall perform all such functions, discharge all such responsibilities and duties. and exercise all such powers as may be given by an officer senior in rank and status to such official; and

unch functions. An harpe such responsibilities and duties, and exercise such men timestone continues whereunder a senior officer may perform all the duries and responsibilities at a range officer.

Delegation of Power [Section 80]

The Board miles by a notification in the official Gazette and subject to such the mount on a may be specified in such notification, delegate to any 1 4.7 office: he name and designation, any responsibility, duty or power of a Commissioner under this Act or the rules made thereunder. Unless the Board officerative directs a Commissioner or a Director General may pass an order giving am & A.T. officer subordinate to him the authority to exercise any or all of his powers or all or any pair of the jurisdiction of such Commissioner or Director- General

Assistance to VAT Officers [Section 82]

All members of the Police. Border Guards Bangladesh, Bangladesh Coast Guarde and Amars and the authorities of all Union Parishads, Upazila Parishade Manucipalities Zila Parishads City Corporations; and all the government officers including the officers administering and controlling the functions relating to Excise Customs Income Tax and Narcotics, and officers of bank, insurance, chartered accountant firm, and financial institutions shall remain obliged to render assistance to the \$ 4.7 officers in discharging their duties under this Act or any the rules made thereunder [section 82(1)] A VAT officer not below the rank of an Assistant Commissioner may for the purposes of taking assistance, request any member, authoris officer or any other person specified earlier [in sub-section (1)] to provide any information including the accounts of any movable or immovable property of am gurson statements of bank accounts or other documents of any person, and such member authority, or officer, if so requested, shall remain obligated to furnish such summent information

Power to Enter and Search by VAT Officers [Section 83]

To carry out the purposes of this Act a 1/47 officer not below the rank of an Assistant Commissioner or Assistant Director, being authorized by the Commissioner or the Director General, may exercise the following powers prescribed manner [U/s 89(1)]:

- to omer one only place or premises of any economic activity or into any house, transport, etc. make search, and if needed seizure and detention therein; and
- to enspect are economic activity and examine and seize its records, files, documents and accounts

If the place specified above be a place of abode of any person, it shall require such officer to serve in the prescribed manner, a notice upon the owner or the person-incharge or supervisor of such place and no such entry shall be made during the period from sunset to sunrise. If any person contravenes any provision of this Act or any rule made thereunder, a VAT officer of the rank of an Assistant Commissioner and above may, in the prescribed manner, request the concerned bank authority to freeze the

Notwithstanding anything contained in sub-section (1), an officer not below the rank of a Revenue Officer can inspect the place of manufacturing or supply or place or place of service rendering or place of trading and examine goods in stock, services, raw-materials and accounts of any registered and worth of being registered person in his jurisdiction

Seizure of Goods and Disposal Thereof [Section 84]

If any person makes any supply or renders any service in violation of any provision of this Act or any rule made thereunder, the Commissioner or Director General or VAT officer empowered by him may, in the prescribed manner, detain, seize and dispose of such goods, documents or transport or the goods related to such service.

During the pendency of a proceeding, the Commissioner may, in such manner and on such terms as may be prescribed, order for ad-interim release of any good seized (as mentioned earlier) to the owner of such good or his representative. Exhibit 22.5 presented the imposition of monetary penalty for non-compliances or irregularities or tax evasion as per section 85 and monetary limits of the VAT officers in initiating a proceeding for adjudication as per section 86.

EXHIBIT

22.5

Consequence of Non-compliances or Irregularities

Imposition of monetary penalty for non-compliances or irregularities or evasion [section 85]: The respective VAT Officer mentioned in section 86 may impose a monetary penalty as specified below:

	Amount of monetary penalty
Non-compliance or irregularity for not applying for registration or enlistment within the prescribed time-limit;	Tk. 10,000
Non-compliance or irregularity for not displaying the registration or	Tk. 10,000
turnover tax certificate in a visible place; Non-compliance firregularity for not informing the Commissioner of	Tk. 10,000
the change in the information of the economic that the change in the information of applying for cancellation of	Tk. 10,000
	Tk. 10,000
Non-compliance or irregularity for not abiding by section 9(5); Non-compliance or irregularity for not filing the VAT or turnover tax Non-compliance or irregularity for not filing the VAT or turnover tax	Tk. 5,000
Non-compliance or irregulation return within the prescribed time period;	749

m:

22.28

22.5

8 OFFENCE, TRIAL AND PUNISHMENT

Offenor P.	2.41011MEMI					
Offences Relating to VAT Certificate and Tax Invoice, a Whoever dishonest shall be purely	Registration nd Punishmer	Certificate	or	Turnover	Ta	
of distibilest shall be punied	h . 1	בן נושיאות	ecm	un IIIj		

to one year, or with a fine equal to the amount of tax payable, or with both. If any person, during making application for online registration or enlistment, provides wrong or untrue information, then necessary measures may be taken against that person in view of the current law. Here, the term dishonest implies dishonestly

_	makes of	uses	a take VAT	waren't a second						J
	invoice	and	a take VAT	registration	certificate	, t	umover	tax	certific	ate or tax
			withholding number; or		bearing	a	forged	or	false	business
			2 fam. 1							

_	certificate	uses a torg	ed or	false ta	x invoice,	credit	note,	debit	note,	withholdin	ηg
	cermicate	•									-
	produces	Drocomics									

produces, preserves, transport, marketing or uses a forged or false or reused stamp or banderol or assist in such activities:

 produces, stores, transport, marketing or selling any product with a forged or false or reused stamp or banderol or assist in such activities;

 produces, stores, transport, marketing or selling any product without using stamp or banderol, where the use of it is mandatory or assist in such activities; or

evades payment of the payable tax otherwise; or

☐ claims a tax refund without such person being entitled to such refund.

Offence and Punishment Relating to False or Misleading Statement or Description [Section 112]

Whoever dishonestly makes a false or misleading statement or description in any tax document submitted to any VAT officer shall be punished with imprisonment for a term which may extend to 6 (six) months, or with a fine equal to the amount of tax payable, or with both.

Offence and Punishment for Obstructions [Section 113]

Whoever, with a mala fide intention, obstructs or attempts to obstruct any VAT officer in discharging his duties under this Act or any rule made there under shall be punished with imprisonment for a term which may extend to 6 (six) months, or with a fine which may be not less than 10 (ten) thousand Tk. and not more than 2 (two) lakh Tk., or with both.

Investigation, Trial, and Appeal of the Offence [Section 114]

Notwithstanding anything contained in the Code of Criminal Procedure or in any other law for the time being in force, the offences shall be triable by a First Class Judicial Magistrate or Metropolitan Magistrate empowered under the Code of Criminal Procedure and may impose any amount of fine prescribed in this Act. The offences shall be bail able and non-cognizable. No such Judicial Magistrate or

Bangladesh Income Tax - Theory and Practice		
Non-compliance or irregularity for not making inclusion of the	H	Minimum: half and Maximum output tax not included;
* Programment for taking more input tax credit than entitlement in the return]-[Min: half and Max: amount of input tax irregularly taken;
Irregularity relating to making at undestrable adjustment [increase of a decreasing adjustment or making a decrease of an increasing adjustment or the return.		Min. half and Max: amount a undesirable adjustment;
Non-compliance or empularity for not issuing tax invoice, credit note deho note and withholding certificate.	H	Tk. 10,000
Non-compliance or exequilibrity for not keeping records in the prescribes manner.	H	Tk. 10,000
Non-compliance or irregularity for not furnishing fixed security;	H	Tk. 10,000
 Irregularity for willingly evading or attempting to evade assessment and parmers; of times. 	H	Twice the amount of taxes evaded
Failure or erapularity of non-submission of Input Output coefficient within the prescribed time.	H	Tk. 10,000
 Numerity times of the provisions of section 51, 53, 54, 64 and 107 for enemyted Conds or services 	H	Tk 1 (one) lac only

Monetary lemas of the VAT officers in initiating a proceeding for adjudication [section 86]:

To come on the process of this Act or the rules made thereunder, or for the imposition and collection of taxes (a) in relation to supply of goods or services, the VAT officers shall, subject to the specified below, initiate proceedings under the provisions of this Act.

Promoted that the proceedings, which do not have any financial involvement, i.e., related to irregularity, those proceedings and the depend of by VAT officials not lower than Assistant Commissioner rank. Every VAT official shall be easily providing taken up under the provisions of this section, provide the concerned person an approximate of being heard through service of a notice upon such person.

If any person in the case of failure or irregularity or evasion, applies for summary adjudication, then in that case, the adjudicating afficer can complete adjudication procedure in the said case without issuing show cause notice and taking houring.

Note: Rule 62 to 65 enumerated the details procedure in this regard

Metropolitan Magistrate shall take cognizance of an offence except through a complaint, in writing, made, subject to the approval of the Commissioner, by an officer of VAT not below the rank of an Assistant Commissioner.

The VAT officer shall, in such manner and within such time as may be prescribed. complete the investigation of any offence punishable under this Act. Such Judicial or Metropolitan Magistrate shall try the offences following the summary trial procedure laid down in the Code of Criminal Procedure, and the appeal, review and revision in respect of such offences shall be filed and disposed off in accordance with the provisions laid down in the Code of Criminal Procedure.

Offence Committed by Any Company, Association of Persons or Property Development Joint Venture [Section 116]

If an offence is committed by any company or association of persons or property development joint venture, every director, partner, chief executive, manager, secretary, official, employee, representative or VAT Agent thereof having involvement with such offence shall be deemed to have committed such offence unless he proves that such offence was committed without his knowledge or he tried his best to prevent the commission of such offence. A company may be tried and punished in the same judicial proceeding which is lodged against such director. partner, chief executive, manager, secretary, official, employee, representative or VAT Agent of such company, but no imprisonment other than fine shall be imposable upon such company.

Other Relevant Provisions

- ☐ Additional Power of the Judicial Magistrate or the Metropolitan Magistrate [Section 115]: For this Act, the Judicial Magistrate or the Metropolitan Magistrate shall also have the power to freeze the bank accounts of a person committing the offence.
- ☐ Abettor of Offence [Section 117]: Whoever abets or gives support or incites or excites a person in the commission of any offence, shall be deemed to have been an offender as a committer of such offence, and shall be punished similarly as such committer is punished.
- ☐ Prior Approval Before Filing A Case [Section 118]: Without the prior approval of the Commissioner, no case in respect of any offence shall be filed in any court.
- Compoundability of the Offences [Section 119]: The offences shall, in the prescribed manner, be compoundable. Every case before or after the prior approval of the Commissioner for filing thereof, is compromisable in such manner and on such terms as may be prescribed by the Board, but after filing such case, permission of the court shall be required to make such compromise.
- ☐ Fine additional to the tax payable [Section 120]: The fine imposed as punishment by a Judicial Magistrate or a Metropolitan Magistrate shall be in addition to VAT, supplementary tax, turnover tax or monetary penalty.

Chapter - 22 Value Added Tax and Supplementary Duty APPEALS AND REVISIONS

22.5

Appeal to Commissioner (Appeal) [Section 121]

According to subsection (1) of section 121, if any person or any VAT officer is aggrieved by a decision taken or order issued under this Act or the rules made there under by any Additional Commissioner or any VAT officer below the rank of an Additional Commissioner may, within 90 (ninety) days from the date of issue of such decision or order, lodge an appeal in the prescribed manner to the Commissioner (Appeal), except against an order of seizure or sale issued under section 95 in case of supply of goods or provision of services or those issued under section 82 and 98 of the Customs Act in the case of imported goods. Where a person other than a VAT officer prefers an appeal under subsection (1), he shall, at the time of filing such appeal, pay 10% of the tax specified (excluding fine) in the impugned order. Provided that if the Commissioner (Appeal) is satisfied that the appellant could not file the appeal within the said 90 days' time due to obvious reasons, he may permit the appellant to file the appeal within next 60 days of the expiry of the above period.

The Commissioner (Appeal) shall, after giving an opportunity of proper hearing to the parties to the appeal in the prescribed manner, dispose of the appeal within a period not exceeding 1 year. The Commissioner (Appeal) may uphold, change or set aside the impugned decision or order, or may pass such order as he thinks fit and proper. Provided that he shall not, de novo, send the case on remand for reconsideration.

In the interest of deciding an appeal, the Commissioner (Appeal) may, in the prescribed manner and within the prescribed time, make such further scrutiny or hold such further enquiry, collect such further information or make such further verification of the accuracy of the proceedings in respect of the impugned matter as may be necessary. Notwithstanding anything contained in this Act or the rules made there under, if the Commissioner (Appeal) fails to dispose off an appeal within the stipulated time, such appeal shall be deemed to have been granted by the Commissioner (Appeal).

Appeal to Appellate Tribunal [Section 122]

According to section 122(1), if any person or any VAT officer is aggrieved by a decision taken or order issued under this Act or any rule made there under by any Commissioner or Commissioner (Appeal) or Director- General or by any VAT officer holding the same rank may, within 90 days from the date of service of such decision or order, prefer an appeal in the prescribed manner before the Appellate Tribunal, except against an order of seizure or sale issued u/s 95 in case of supply of goods or provision of services or those issued u/s 82 and 98 of the Customs Act in the case of imported goods. The time period for appeal may be extended by 60 days, if allowed by the president, Appellate Tribunal, for logical ground.

Where a person, other than a VAT officer, prefers an appeal under subsection (1), he shall, at the time of filing such appeal, pay 10% of the tax specified (excluding fine)

7. 1857

in the impugned order: Provided, while filing appeal to the Customs, Excise and VAT in the impugned order. Frostock, state order passed by the Commissioner (Appeal) under Appellate Tribunal against the order passed by the Commissioner (Appeal) under Appellate Tribunal against the Subsection (1), the aggrieved person shall not require depositing any portion of the tax subsection (1), the aggreed pointing. The Appellate Tribunal, after hearing the parties demanded or fine imposed upon him. The Appellate Tribunal, after hearing the parties demanded of this imposed sport as it thinks fit and proper, including an interim to the appeal, may pass such order as it thinks fit and proper, including an interim order staying the collection of tax. Any interim order of the Appellate Tribunal staying collection of tax shall cease to have effect on the day after the expiry of a period of 6 (six) months following the day on which it was passed unless the case is finally decided, or the interim order is withdrawn by the tribunal earlier.

Notwithstanding anything contained in this Act or the rules made there under, if the Appellate Tribunal fails to dispose off the appeal within a period of 2 (two) years, the appeal shall be deemed to have been granted by the Appellate Tribunal. Notwithstanding anything contained contrary in any provision of this Act, for reasons of epidemic, pandemic, acts of God or war, the government, in public interest, by an order, can extend the time limit for disposal of appeal by Appellate Tribunal for that period of danger. The order of such extension of time limit can be given with retrospective effect. The functional procedures of the Appellate Tribunal and of its branches shall be determined by the Tribunal itself. Every proceeding before the Appellate Tribunal shall be deemed to be a judicial proceeding within the meaning of sections 193 and 228 of the Penal Code (Act XLV of 1860) and the Appellate Tribunal shall be deemed to be a Civil Court under the Code of Civil Procedure.

Burden of Proof in a Proceeding [Section 123]

In the case of proving the points at issue of any proceeding before the Commissioner (Appeal) or the Appellate Tribunal, the affidavit submitted by the Commissioner in the prescribed manner shall be treated as a conclusive proof thereof unless the taxpayer may prove otherwise rebutting the contents of such affidavit. A copy of the notice issued by the Commissioner and other concerned documents shall be attached with such affidavir

Appeal to the High Court Division [Section 124]

According to subsection (1) of section 124, any person or any VAT officer not below the rank of a Commissioner or a Director- General, aggrieved by an order of the Board or of the Appellate Tribunal, may prefer an appeal before the High Court Division of the Supreme Court on questions of law of such order. Notwithstanding anything contained in any other law for the time being in force, the provisions of the Code of Civil Procedure shall, as far as possible, apply to the matters of such appeal.

In relation to submission of an application for appeal before the High Court Division under sub-section (1), the provisions of section 5 of the Limitation Act, 1908, shall apply. Moreover, in relation to submission of an application for appeal before the High Court Division, under sub-section (1), by a person other than an officer of VAT.

such person shall, at the time of filing such revision application, pay 10 (ten) percent of the payable tax (excluding fine) specified in the impugned order.

Alternative Dispute Resolution [Section 125]

Notwithstanding anything contained in any other provision of this Act, a taxpayer may, in the prescribed manner, on the prescribed terms and within the prescribed time, apply to a facilitator, selected by him from the prescribed panel, to have a dispute resolved through alternative dispute resolution process; and the facilitator may, in the prescribed manner, on the prescribed terms and within the prescribed time, take steps to resolve such dispute, on the basis of consensus, through alternative means. The Board may, by a notification in the official Gazette, designate, from time to time, one or more of the VAT Commissionerates for processing the applications of alternative dispute resolution.

If a dispute is resolved based on consensus through alternative dispute resolution, no objection in respect of such consensus shall be raised in any court, and the disputes which cannot be resolved on such consensus through alternative dispute resolution process, may again be taken up for proceeding under the provisions of this Act. If a dispute or any part thereof could not be resolved through alternative dispute resolution process, the time spent for such resolution shall not be included in calculating the time for filing an appeal.

Explanation: In this section, "dispute" means a dispute arising out of the application of any provision of this Act or any rule made there under but does not include forgery or criminal offence or a dispute involving a question of law.

MISCELLANEOUS 22.30

Exemption [Section 126]

CLO 22.1 22.2

The government may, by notification in the official Gazette, exempt importation or supply of any goods or class of goods or rendering of any service from VAT, SD, Advance tax chargeable under this Act, subject to any limitation or condition specified in the notification.

Granting Reward and Efficiency Incentive [Section 126A]

Notwithstanding anything contained to the contrary in this Act or in any other law for the time being in force, the Board may, in prescribed manner and rules, grant reward incentive to the following persons, namely:-

any person who supplies to a VAT Officer information about violation of any provisions of this Act or of any other law for the time being in force or evasion or attempt of evasion of tax or revenue payable thereunder and total revenue evaded or part thereof is realized on the basis of the information supplied;

any VAT Officer an officer employee of any other Government organization or any VAT Officer an officer engage of a local authority who detects or unearths the evasion or attempted evasion of a local authority who detects or unearths the evasion or attempted evasion of of a local authority who defects have for any other law for the time being in force tax or revenue payable under this Act or any other law for the time being in force tax or revenue payable infocution of any provision thereof and consequently evaded revenue or identifies violation of any provision thereof and consequently evaded revenue of identification or unearthing is realized; or

of identification of uncontinued or any such person working for the such other VAT Officer or employee or any such person working for the such other VAT Office of the government agency who realizes the tax realizable under this Act by any other means other than the steps mentioned above.

Imposition of Interest on Payable Tax [Section 127]

If a person fails to pay a tax payable to the Commissioner or concerned officer u/s 86 on or before the due date of payment, he shall be liable to pay an interest at a simple rate of one percent per month on the amount of payable tax, from the next day after the date the payment becomes due to the date the payment is made. But provided that in the case of realization of arrear arising from VAT deduction at source, six monthly 2 (two) percent simple interest shall require to be paid on the payable amount of tax

Explanation: Here "till the date of payment" means the day of payment inclusive of the time of appeal disposal from the next date of the ascertained date, but not more than 24 (twenty-four) months.

The commissioner shall recover the interest from such person in the same manner as taxes are recovered. If a person pays an interest and an amount to which the interest relates is found not to have been payable, the interest paid on such amount shall be refundable. Interest shall be payable in additional to any monetary penalty or fine.

Bar to the Lodgment of Suits in the Court [Section 129]

No proceeding other than the proceeding or judicial proceeding under this Act or any rule made there under shall lie to any court against an order passed or decision made or action taken (tax determination, tax imposition, imposition of monetary penalty, imposition of interest, any audit, enquiry or investigation or other similar matters for amendment or cancellation of tax recovery) by the Board or by a VAT Officer.

Appointment of VAT Consultant [Section 130]

Any person may be appointed from among CA, CMA or Chartered Secretary or licensed VAT Consultant for providing advice to a taxpayer or for representing him in any proceeding, as per the prescribed manner specified by the Board.

SELF - REVIEW



Who will pay value added tax?

Certified Copy of Documents [Section 132]

The commissioner may, upon an application made by a taxpayer, issue, on such terms and in such manner as may be prescribed, a certified copy of the following

- any document or paper submitted by the taxpayer to the VAT officer;
- any document submitted to any VAT officer as a proof of withholding of tax by any withholding entity; or
- any other document specified by the Board.

Issuance of VAT Clearance Certificate [Section 133]

A taxpayer may, on the prescribed terms and in the prescribed manner, make an application to the Commissioner for a VAT clearance certificate. The Commissioner may, in the prescribed manner, issue a VAT clearance certificate to such applicant if he is satisfied that- no tax is in arrear with, or payable by, such taxpayer; or a security deposit is furnished by the taxpayer for the payment of the tax.

SOLVED PRACTICAL CASES (SPC)

DETERMINING SELLING PRICE

If 'A' purchases goods worth Tk. 20,000 from the manufacturer and adds value of Tk. 5,000, calculate the total sale price of the product, if VAT levied @ 15%.

Solution

Cost price		Tk. 20,000
Value added		5000
VAT (15%)	= Tk. $5,000 \times (15 \div 100)$	750
Total Sales Price		Tk. 25,750



DETERMINING VALUE ADDED, VAT

Ms. R purchases cotton fiber @ Tk. 50 per kg and 1 kg of fiber produces 2 meters of cloth. She again sold this cloth in the market @ Tk. 42.25 per meters, VAT levied on the cloth is 15%. Calculate the VAT collected by the govt. in this whole transaction?

Solution

Cost of cotton fiber = Tk. 50 $= Tk. 42.25 \times 2 = Tk. 84.5$ Selling price of cloth = Tk. 34.5Difference

Thus, 34.5 = Value added + VAT

 \Rightarrow 34.5 = x + 0.15x (assuming value added = x)

⇒ 34.5= 1.15x

 \Rightarrow x = 34.5/1.15

 \Rightarrow x = 30

So, value added amount = Tk. 30 and VAT on it = (Tk. 30 × 15%) = Tk. 4.5

Bangladesh Income Tax - Theory and Practice



DETERMINING SELLING PRICE, VAI

Mr. Sinha purchases 10 computers @ Tk. 17,500 per computer. On each computer he

WAT @ 15%. What will be the total sale price of a Mr. Sinha purchases 10 computers @ 18. 17.30 be the total sale price of these 10 earns Tk. 2000 and pays VAT @ 15%. What will be the total sale price of these 10 computers and how much VAT he has to pay? Th 17 co

Company	1 K. 17,500
Solution	2,000
Cost of one computer	19,500
Value added (profit)	300
Total	Tk. 19,800
VAT (15%)	Tk. 198,000
Selling price of one computer Selling price of one computers	Tk. 3,000
Total selling price of 10 conf	11. 3,000
Total VAT paid	



A washing machine dealer, purchases 5 washing machines (WM) @Tk. 22,000 per A wasning machine cealer, part and the company. After earning profit of Tk. unit and 2 WM @ Tk. 25,000 per unit from the company. 6,000 on each machine, the dealer sells 5 WM at Tk. 28,900 and 2 WM at Tk. 31,900. How much percentage of VAT he has paid and what is the total amount paid by him to the government as VAT.

		0.8
Solution	$= Tk.5 \times 22,000$	Tk.110,000
Cost of 5 Washing Machines	$= 5 \times 6,000$	30,000
Profit earned	2 2,1	140,000
Total	= Tk. [5 × 28,900]	144,500
Selling price	= Tk. (144,500 - 140,000)	4,500
VAT Paid		15%
VAT (%) = (4,500 ÷ 30,000) ×100		Tk::50,000
Cost of 2 Washing Machines		
Profit added		12,000
VAT (15%)		1,800
Total selling price		Tk. 63,800
Total VAT paid	= Tk. (4,500 + 1,800)	Tk. 6,300

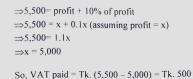


DETERMINING VAT

Suppose a computer dealer sells computer at Tk. 13,500 and he purchases the same computer at Tk 8,000. VAT levied on computers is @ 15% but he gets rebate @5%. Calculate how much VAT he has to pay and how much is the total collection of VAT by the government.

Solution

Cost Price = Tk. 8,000; Selling Price= Tk.13,500; Profit +VAT = Tk. 5,500
VAT (%) =
$$(15-5)$$
 = 10%



DETERMINING VAT PAID

A dealer purchases dish washer (DW) at Tk. 15,000 and further sells it at Tk. 20,200. If VAT levied on DW is 4%, calculate profit earned by him and how much VAT he has to pay to the govt. Also calculate the total VAT given to the govt. in this whole transaction.

Solution

Solution	
Cost Price of Dish washer	= Tk.15,000
Selling Price	= Tk.20,200
Difference	= Tk. 5,200
Let's assume value added	= x
\Rightarrow Tk. 5,200 = x + 4% of x \Rightarrow 5,200	= 1.04x
\Rightarrow x = 5,000	
So, Profit earned	= Tk. 5,000
VAT paid	= Tk. 200
VAI paid	



DETERMINING VAT, SELLING PRICE

Sumon purchases 100 Wall Clocks (WC) @ Tk. 70 per unit and he sold all these WC to Nikhil at Tk. 9,300 where he earns profit of Tk. 2,000. After adding value of Tk. 30 per unit Nikhil sells these WC in the market. If VAT is same on all these clocks, calculate how much VAT Sumon has to pay and at what price Nikhil sells these WC in the market.

Solution	
	$= Tk.(100 \times 70)$
Price paid by Sumon	= Tk.2,000
Profit earned	
Total	= Tk.9,000
Selling price (including VAT)	= Tk. 9,300
VAT	= Tk. 300
$VAT (\%) = (300 \div 2000) \times 100$	= 15%
VAI (%) - (300 · 2000)	- Tk 0 300

= Tk. 9,300Price paid by Nikhil = Tk. 3,000Value added = Tk.12,300Total

= Tk. 3,000× (15 \div 100) = Tk. 450 So, VAT = Tk. (12,300 + 450)= Tk. 12,750Selling Price

= Tk. 11,475



DETERMINING VAT, SALES TAX

A wholesaler purchases 15 meters of cloth from the manufacturer @ Tk. 80 per meter. The result A wholesaler purchases 15 meters of cloud of Tk. 20 per meter. The retailer sells the and sells to the retailer after adding value of Tk. 20 per meter. The retailer sells the and sells to the retailer after adding value of the sells the cloth and making a profit of Tk.50 per meter. Calculate how much total tax was paid cloth and making a profit of TK.50 per lines to the government in the whole transaction, through (i)VAT and (ii) Sales tax method considering both taxes were levied @15%.

Sol (i)	ution Wholesaler's Cost Price VAT (15%) Total Value added VAT Retailer's cost Value added by retailer VAT	= Tk.15 × 80 = Tk. 180 = Tk.1380 = Tk. 15 × 20 = Tk. 300 × 15% = Tk.1725 = Tk.1725 = Tk.15 × 50 = Tk. 750 × 15%	= Rs. 1200 = Tk. 300 = Tk. 45 = Tk. 750 = Tk. 112.5
(ii)	Net selling price Total VAT paid Wholesaler's Cost Price	= Tk. 2587.5 = Tk. [180 + 45 + 112.5] = Tk.1200	= Tk.337.5
()	Sales Tax (15%) Total Value added Total	= Tk. 180 = Tk.1380 = Tk. 300 = Tk. 1680	
	Sales Tax Total Value added by retailer Total Sales Tax	= Tk. 1680 × 15% = Tk. 1932 = Tk.15 × 50 = Tk. (1932 + 750) = 15% of 2682	= Tk. 252 = Tk. 750 = Tk. 2682 = Tk. 402.3
	Net Selling Price Total Sales Tax paid	= Tk. 3084.3 = Tk. [180 + 252 + 402.3]	= Tk. 834.3

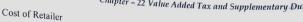


DETERMINING VAT, SALES TAX FOR DIFFERENT PARTIES

A manufacturer sold a TV set @ Tk.20,000 to the wholesaler. The wholesaler sells it to a retailer @ Tk.25,500 and the retailer finally sells it to the customer @ Tk.31,000. If VAT or sales tax whatever is levied is 15% extra at every stage, calculate the total tax collected by the government through (i) VAT and through (ii) sales tax.

Solution

(1)	Wholesaler's cost Price	
	VAT (15%)	= Tk. 20,000
	Total	= Tk. 3,000
	Since, he sells at Tk. 25,500, value added	= Tk. 23,000
	VAT (15%)	= Tk. 2,500
		- TL 375



= Tk. [3,000 + 3825 + 4650]

- Carlel		
Retailer sells at Tk. 31000. TVAT (15%)	Therefore, Value added	= Tk. 25,875 = Tk. 5,125
Hence, total VAT paid a 71		= Tk. 768.75
Hence, total VAT paid = Tk. When sales tax is paid		= Tk. 4,143.75
Sales Tax by Manufactures		
Sales Tax by Wholesaler		= Tk.3,000
Sales Tax by retailer	$= Tk.25,500 \times 15\%$	= Tk.3825
So, Total Tax	$=$ Tk.31,000 \times 15%	= Tk.4650



DETERMINING VAT, SALES TAX

A firm produces 100 units of an item per day and sells all @ Tk. 20 per unit to the wholesaler. If the Wholesaler added Tk. 500 as his profit and sells to retailer who adds Tk.1,000 while selling, then calculate the total tax collected by the government, through (i) VAT and through (ii) sales tax if both taxes are levied @15%.

Solution

Cost of wholesaler (100 @ Tk. 20)	Tk.2,000	Value added by retailer	Tk. 1,000
VAT	300	VAT (15%)	150
Total	2,300	Total	Tk. 4,025
Value added (by wholesaler)	500	Total VAT (Tax)	TR. 4,023
VAT (15%)	75	[300 + 75 + 150]	Tk. 525
Total	Tk. 2,875	[300 + 73 + 130]	1K. 323
	1 K. 2,8/3		-
If sales tax is paid:			4,
Cost of wholesaler (100 @ Tk. 20)	Tk.2,000		1
Sales tax	300	*	1864
Total	2,300		
Value added (by wholesaler)	500		
Tax	420		
Total	3,220		
Value added by retailer	1,000		
Total	Tk. 4,220		
Tax	Tk. 633	4	
Total	Tk. 4,853	2 / 2 /	4
Total tax paid			
[300 + 420 + 633]	Tk. 1,353		- 1



DETERMINING VAT

AS Inc, which is registered in the VAT Register, purchases goods during a VAT period worth Tk. 62,100, including VAT. During the same period, the company sells goods for Tk.150,000 excluding VAT. In the tax return for VAT, it must deduct input VAT from output VAT. What amount of VAT should be paid in this regard?

Calution

Solution Iso 000 excluding VAI	
Goods sold for Tk. 150,000 excluding VA1	= T1. a.
Output VAT: Tk 150,000 15,100	= Tk. 22,500
Goods purchased for Tk. 62,100 including VAT	
Goods purchased for TK. 02.100 morals	- 70
	= Tk. $8,100$
VAT amount must be paid (Output VAT – Input VAT)	= Tk. 14 400



DETERMINING VAT

In a return period. M/s Sublime Traders purchased the goods for Tk. 200000/= and paid INPUT VAT Tk.30,000/-. The accounts of M/s Sublime Traders are showing a balance of VAT Tk.1000 =. They sold the goods for Tk.100000/= and charged OUTPUT VAT Tk. 15,000/-. Calculate the VAT liabilities of M/s Sublime Traders

Solution

Balance Brought Forward from Previous Return Period	Tk.1,000
Add: Input VAT during current Return Period	Tk.30,000
Total Input VAT	Tk.31,000
Less: Output VAT Collected on Sale	Tk.15,000
Balance of Input VAT to be carried forward to next Return Period	Tk 16,000

In above case, there is no tax liability since M/s Sublime Traders has already paid more VAT i.e., Tk.16000 =



DETERMINING VAT

B buys an article for Tk.10000 (VAT exclusive price) and sells the same article for Tk. 13000 (VAT exclusive price). Find the VAT amount to be paid by B.

Solution

Cost of the article Selling price of the article	= 10000; Input VAT= 15% of Tk.10,000 = Tk. 13000; Output VAT	= Tk.1,500
	= 15% of 13000 = Tk 1050	

Therefore, VAT = Output VAT - Input VAT.

= Tk. 1950 - Tk. 1500



DETERMINING VAT

 \boldsymbol{X} buys an article for Tk.23000 (VAT inclusive price) and sells the same article for Tk. 29900 (VAT inclusive price). Find the VAT amount to be paid by X.

Solution

input VAT	= Tk. 23,000 × 15/115
Output VAT	- Ik.3,000
Therefore, VAT	= Tk. 29,900 × 15/115 = Tk. 3900
The Participant	- 0

~ Output VAT - Input VAT. = Tk. 3900 - Tk. 3000

" Tk. 900



= Tk. 450

DETERMINING VAT FOR WHOLESALER AND RETAILER

A manufacturer printed the price of his goods as Tk.120 per article. He allowed a discount of 30% to the wholesaler who in his turn allowed a discount of 20% on the printed price to the retailer. If the prescribed rate of VAT on the goods is 15% and the retailer sells it to the consumer at the printed price, then find the value added tax paid by the wholesaler and the retailer.

Solution

For the manufacturer, the price of the article at which it is sold

= Printed price - discount of the wholesaler

= Tk. 120 - 30% of Tk. 120

= Tk. 120 - Tk. 36

= Tk. 84

Therefore, input tax for the wholesaler = 15% of Tk. 84 = Tk. 12.60

For the wholesaler, the price of the article at which it is sold

= Printed price - discount to the retailer

= Tk. 120 - 20% of 120= Tk. 120 - Tk. 24= Tk. 96

Therefore, output tax for the wholesaler = 15% of 96 = Tk. 14.40

Therefore, VAT payable for the wholesaler = output tax - input tax

= Tk. 14.40 - Tk. 12.60= Tk. 1.80

For the retailer, the price of the article at which it is sold = printed price = Tk. 120

Therefore, output tax for the retailer = 15% of Tk. 120 = Tk. 18.

Input tax for the retailer = output tax for the wholesaler= Tk. 14.40

Therefore, VAT payable by the retailer = output tax - input tax

= Tk. 18 - Tk. 14.40= Tk. 3.60

Therefore, VAT paid by the wholesaler is Tk. 1.80 and by retailer is Tk. 3.60



DETERMINING VAT. SELLING PRICE

"A" is manufacturer of a pressure cooker. The cost price of each pressure cooker is Tk. 1600. He sells to "B", "B" sells to "C", and "C" sells to "D", the retailer who sells to customers. The VAT rate is 15% and profit is Tk. 200 at each stage of the selling chain. Find (i) the total amount of VAT, and (ii) the amount the consumer has to pay.

Solution

Particulars	A	В	C	D
Cost price	Tk. 1600	Tk. 1800	Tk. 2000	Tk. 2200
Selling price (with profit)	1800	2000	2200	2400
Output VAT	270	300	330	360
Input VAT	0	270	300	330
VAT to be paid	270	30	30	30

Amount that the customer has to Pay Tk. 2400 + Tk. 360 = Tk. 2760 Total amount of VAT = Tk. 270 + Tk. 30 + Tk. 30 + Tk. 30 = Tk. 360

Bangladesh Income Tax - Theory and Practice

DETERMINING VAIThe following information has been taken from the accounting records of Unilever Bangladesh Limited for the year 2023: Tk. 90,000

Raw materials inventory, January 1 Tk. 60,000 Raw materials inventory, December 31 Tk. 180,000 Work in process inventory, January 1 Tk. 100,000 Work in process inventory. December 31 Tk. 260,000 Finished goods inventory, January 1 Tk. 210,000 Finished goods inventory, December 31

Purchase of raw materials Tk. 750,000; Direct labor Tk. 150,000; Manufacturing overhead Tk. 640,000; Selling expenses Tk. 140,000; and administrative expenses Tk. 270,000. The company sells its product by adding 15% profit on cost. Determine the

amount of VAT if the rate is 15%.

Solution

Unilever Bangladesh Limited Schedule of VAT calculation

For the year ended on December 31, 2023

	Amount	Amount
Raw materials, January I	k. 90,000	
Add, Purchase of raw material —	750,000	
Raw materials available for use	840,000	
Less, Raw materials, December 31	60,000	
Raw materials used in the production		Tk. 780,000
Direct labor		150,000
Manufacturing overhead		640,000
Total manufacturing cost		1,570,000
Add, Work in process, January 1		180,000
and the state of t	F - F	1,750,000
Less, Work in process, December 31		100,000
Cost of goods manufactured		1,650,000
Add, Finished goods inventory, January 1		260,000
Goods available for sale		1,910,000
Less, Finished goods inventory, December 31		210,000
Cost of goods sold		1,700,000
Add, Profit [1,700,000 × 15%]		255,000
Selling price		
Value Added Tax:		Tk. 1,955,000
VAT on output [1,955,000 × 15%]		
ess, VAT on input i o Par	= 293,25	0
Less, VAT on input i.e. Raw material used [780,000 × 15%]	= 117,00	
VAT can also be calculated in the following alternative way:	= 176,25	_

Chapter - 22 Value Added Tax and Supplementary Duty

Value addition = Output value (Selling price) – Input value (Raw material used)

= 1,175,000= 1.955.000 - 780.000 = 176,250

VAT payable = 15% on 1,175,000



DETERMINING VAT AT DIFFERENT STAGES OF THE CONVERSION CYCLE

On January 2024, Rahman International imported raw materials of school bags for Tk. 100,000 and sold it to Agfa Ltd for Tk. 120,000. Using these materials, Agfa Ltd made 150 pieces of school bags and sold it to Yousuf & Sons, a wholesaler, for Tk. 170,000. Yousuf & Sons sold the bags to a retailer, JB International for Tk. 200,000. JB International sold all the bags to various customers for Tk. 250,000. In each case and each stage 15% VAT is to be considered. Compute VAT in each case.

Stage	Particulars	Purchase price/ input value	Value addition	VAT @ 15%
2	Import of raw materials by Rahman International Sale of raw materials to Agfa Ltd.	Tk. 100,000 120,000	Tk. 100,000 20,000	Tk. 15,000 3,000
3	Sale of school bags to Yousuf & Sons, a wholesaler	170,000	50,000	7,500
	Sale of school bags to JB International, a retailer	200,000 250,000	30,000 50,000	4,500 7,500
5 Total	Sale of school bags to customers	250,000	Tk. 250,000	Tk. 37,500

So, the VAT amount is Tk. 37,500 which is ultimately borne by the final consumer.



CHARGES, CUSTOMS DUTY, SUPPLEMENTARY DUTY, BASE VALUE

Mr. Jalil, an importer, imported chocolates of Tk. 100,000 (C&F value determined by the Bangladesh Customs Authority). The insurance charge is 1.5% of the C&F value, borne by the importer. Thereafter, 2% landing charge is applicable on these goods. Customs duty and supplementary duty rate are 15% and 10% respectively. Calculate the amount of VAT, assuming a rate of 15%.

	Tk.100,000
C&F value of the imported chocolates	1,500
Add, insurance charge [1.5% of the C&F value i.e., Tk. 1,00,000]	101,500
Total of C&F value and Insurance Charge	2.030
Add, Landing charge [2% of Tk. 1,01,500]	103,530
Assessable value	15,530
Add, customs duty [15% of Tk. 1,03,530]	119,060
Sub-total before considering SD	11,906
Add, Supplementary duty [10% of Tk. 1,19,060]	Tk. 130,966
Base value for VAT	16. 130,700

So, the required amount of VAT will be = [15% of Tk. 130,966] = Tk. 19,645 (app.)



Compute the invoice value to be charged and amount of tax payable under VAT by a Compute the invoice value to be charged and after adding expenses of Tk. dealer who had purchased goods for Tk. 120,000 and after adding expenses of Tk. 10,000 and of profit Tk. 15,000 and sold out the same.

The rate of VAT on purchases and sales is 15%.

Lan	Tk.
Computation of invoice value:	120,000
a 1- Durchased	10,000
Cost of goods Purchased	15,000
Add: Additional exp. Add: Share of profit	145,000
Total invoice value	
Computation of Tax payable:	<u>Tk.</u> 21,750
VAT on Invoice Value @ 15%	
Less: Input tax credit – VAT on purchases @ 15% (120,000 × 15%)	$\frac{18,000}{3,750}$
Total invoice value	



DETERMINING SELLING PRICE FOR IMPORTER, WHOLE SELLER, RETAILER

☐ The price of a laptop is Tk. 100,000.

VAT is applicable at @15%. What is the value of the taxable supply?

☐ The price of an AC is Tk. 100,000.

If Supplementary Duty (SD)@10% is applicable, then what is the total Supplementary Duty payable amount?

Laptop	AC
Tk. 100,000	Tk. 100,000
15 + 115	15 ÷ 115
13.043	13,043
$(100,000 \times 15 \div 115)$	$(100,000 \times 15 \div 115)$
86,957	86,957
(100,000-13,043)	(100,000-13,043)
	7,905
	(86,957 × 10 ÷ 110)
	Tk. 100,000- 15 ± 115 13,043 (100,000 × 15 ± 115) 86,957

Chapter - 22 Value Added Tax and Supplementary Duty



DETERMINING SELLING PRICE FOR IMPORTER, WHOLE SELLER, RETAILER

Hasan Traders, an importer, imported 200 pieces of LED TV at CIF price @ Tk. 100,000 per piece. The clearing and other incidental charges amounted to Tk. 100,000 for the total consignment. He sold 80 pieces of TV to a whole seller at a markup of 10% (exclusive of VAT).

The whole seller charged 10% mark up to sell it to retailers. The retailers incurred a cost @ Tk. 2,000 for maintenance and other expenses and added 10% mark up to the price.

Compute VAT assuming that the retailers sold 60 pieces of TV in a trade fair among various customers in the month of June, 2024.

Stage – 1: Importer	Tk.	Stage – 2: Whole seller	Tk.
CIF price of imported goods Tk. 100,000 × 200) Add: Clearing and other charges Total cost of input Input VAT recoverable Net COGS (for 200 units) Net COGS (80 units) Add: Profit (10%) Selling price excluding VAT Add: Output VAT @ 15% Selling price inclusive of VAT	20,000,000 100,000 20,100,000 Nil 20,100,000 8,040,000 8,040,000 8,844,000 1,326,600 10,170,600	Cost of purchase from importer Less: Input VAT recoverable Net COGS Add: Profit @ 10% Selling price excluding VAT Add: Output VAT @ 15% Selling price inclusive of VAT	10,170,600 1,326,600 8,844,000 884,400 9,728,400 1,459,260 11,187,660
Stage – 3: Retailer	Tk.	Stage – 4: Customer	Tk
Cost from wholesaler (80 units) Cost of 60 units	11,187,660 8,390,745	Cost of purchase from Retailers (60 units)	8,381,620
Less: Input VAT recoverable [14,59,260/80*60] Net COGS Add: Maintenance and selling cost (2,000 × 60) Total COGS Add: Profit 10% Selling price excluding VAT Add: Output VAT @ 15% Selling price inclusive of VAT	1,094,445 7,296,300 ts 120,000 7,416,300 741,630 8,157,930 1,223,690 83,81,620		j

Bangladesh Income Tax - Theory and Practice

Output VAT Less: Input VAT Gross VAT Payable	13,26,600	132,660*60/80	Retailer (60 units) 12.23,690- 10,94,445 129,245	(60 units)	
Net VAT Payable	13,26,600*60'80 =994,950	= 99,495			

VAT to be borne by the consumer (for 60 units) -994,950 + 99,495 + 129,245 = 12,23,690

KEY POINTS

- $\hfill\Box$ Value added tax, or goods and services tax (GST), is tax on exchanges. It is levied on the added value that results from each exchange.
- □ VAT in Bangladesh has been introduced in July 1, 1991
- ☐ VAT, as an indirect tax, shift tax burden ultimately to the final consumers.
- ☐ Highest tax in Bangladesh comes from VAT (39% of the total tax revenue).
- □ VAT is imposed on goods and services at import stage, manufacturing, wholesale and retails levels.
- ☐ Taxes paid on inputs are creditable against output tax.
- ☐ Only those who will pay VAT at 15% rate will enjoy rebate or refund facility.
- ☐ Turnover tax is 4% if annual turnover exceed Tk 50 lac but below Tk. 3 crore.
- ☐ Luxurious and socially undesirable goods are subject to supplementary duties at different rates ranging from 5 per cent to 500 per cent.
- □ VAT returns are to be submitted on monthly/quarterly/half- yearly basis as notified by the Government.

MULTIPLE CHOICE QUESTIONS

- 1. Value Added Tax has been introduced in Bangladesh in which of the following year? (b) 1991
- (c) 1992 2. The rate of VAT in Bangladesh, to claim input rebate, is -
- (a) 5%
- (d) 1993
- (b) 10% (c) 15% 3. The rate of turnover tax in Bangladesh is -
- (d) 20%

- (a) 3%
 - (b) 4% (c) 10%
- 4. If a registered person fails to submit the VAT return within the specified date, he may be imposed a (a) Tk. 2,000
- (b) Tk. 5,000
- (c) Tk. 8,000
- (d) Tk. 10,000

Chapter - 22 Value Added Tax and Supplementary Duty

- Importers, manufacturers and service providers, need to have what minimum annual turnover to pay 15% tax on their value addition as per the VAT Act?
- (a) Tk. 50 lacs
- (b) Tk. 60 lacs
- (c) Tk. 70 lacs
- (d) Tk. 3 crores
- Which of the following tax is not imposed as per the provisions of the Value Added Tax (VAT)Act and Supplementary Duty (SD) Act, 2012?
- (a) SD
- (b) Customs Duty
- (c) Turnover Tax
- (d) VAT
- Which of the following form is used for application regarding registration under the VAT Act?
- (a) Mushak2.1
- (b) Mushak 6.1
- (c) Mushak10
- (d) Mushak16
- What is the time limit for preservation of records for a registered person under the VAT Act?
- (a) 1 year
- (b) 3 years
- (c) 4 years
- (d) 5 years
- Provisions of the VAT authorities are discusses in which chapterof the VAT Act?
- (a) 7
- (c) 12
- (d) 14
- Which of the following form is related to VAT invoice?
- (a) Mushak 6.1
- (b) Mushak 6.2
- (c) Mushak 6.3
- (d) Mushak 2.1

TRUE (T) OR FALSE (F) IDENTIFICATION

- 1. Value Added Tax is a direct tax.
- 2 VAT is payable at the time of supply of goods and services.
- 3 VAT contributes the highest in the tax revenue.
- 4. All importers, manufacturers and service providers are to be registered as per t VAT and SD Act, 2012.
- 5. Export is zero rated.

	ΠТ	□F
	□ T	□F
he	□т	□F

DT DF

 \Box T \Box F

DISCUSSION QUESTIONS (DQ)

- Define value added tax? Discuss the advantages and disadvantages of VAT. DQ22.1
- Discuss the characteristics of VAT in Bangladesh? DO22.2
- DQ22.3 Discuss the scope of Bangladesh value added tax law.
- DO22.4 What are the goods and services chargeable under the VAT Act, 1991 in Bangladesh?
- DQ22.5 Who has to pay VAT?
- DQ22.6 Explain the procedures of determining the value for charging VAT.
- DQ22.7 Discuss the time and mode of payment of value added tax.
- DQ22.8 Discuss the provisions of the imposition of supplementary duty.
- DQ22.9 Discuss the provisions of the imposition of turnover tax.
- DQ22.10 What do you mean by tax rebate?
- DQ22.11 What do you mean by registration for value added tax?
- DQ22.12 Discuss the procedures of the registration for value added tax.
- DQ22.13 Discuss the provisions of the cancellation of the registration for value added tax.
- DQ22.14 What do you mean by tax challan? Discuss the procedures of the delivery of tax challan.
- DQ22.15 Discuss the Provisions relating to the VAT Return and its submission.
- DQ22.16 What do you mean by forfeiture relating to VAT?
- DQ22.17 Discuss the procedures of appeal as per the provisions of the VAT Act?

DQ22.18 Discuss the maintenance of documents relating to VAT. DQ22.19 What is ADR? Describe the role of ADR in resolving dispute.

PROBLEM CASES (PC)

PC22.1:A wholesaler bought 2 quintals of rice at Rs. 4,000 per quintal on which he added value of Tk. 750 per quintal. If VAT levied is @ 15% then what will be its

PC22.2: A wholesaler purchases wheat @ Tk. 1000 per quintal, and then after converting the wheat into flour he sells it to the retailer @ Tk. 15.20 per kg. If he pays VAT @15%, calculate the total profit earned by the wholesaler.

PC22.3: Babu a garment merchant purchases garments worth Tk. 50,000. By adding his profit of Tk. 15,000 he sold the whole stuff at Tk. 66,200. Calculate at which rate VAT was levied and total collection of VAT by the govt.

PC22.4: A manufacturing unit of AC (Air Conditioner) sold an AC to the dealer at certain rate who further sold it to a customer at Tk. 22,800 making a profit of 50%. If VAT is levied @ 4%, calculate the rate at which AC was sold by the manufacturing unit to the dealer.

PC22.5: Gmart Electronics purchases 50 T.V. sets @Tk.10,000 per set and earns Tk. 5,000 on each set as a profit. If the company pays Tk. 25000 to the govt. as VAT, calculate at what rate VAT is levied on T.V. set.

PC22.6: Bob Robert purchases 200 electric steam irons @ Tk. 750 each and he earns Tk. 25 on first 50 irons, Tk. 50 on next 50 irons, Tk. 75 on next 50 irons and Tk. 100 on rest 50 irons. If VAT is levied @ 8%, calculate total VAT paid by Bob Robert to the government.

PC22.7: A wholesaler purchases 15 chairs from the manufacturer @Tk.100 per chair excluding tax and sells them to a retailer after adding value of Tk.50 per chair. Calculate the total tax paid to the government in these transactions by

ales tax method, and

☐ by VAT method.

Consider sales tax or VAT is levied @15% at each stage.

PC22.8: A dealer purchases 30 kgs of wheat @Tk.10 per kg plus VAT and after earning a profit of Tk.5 per kg the dealer sells it to the retailer. The retailer finally sells it to a customer @ Tk.22.55 per kg including VAT. Calculate how much tax is collected by the Government through VAT which is 15% at each stage.

Chapter - 22 Value Added Tax and Supplementary Duty

PC22.9: The following information has been taken from the accounting records of Unilever Bangladesh Limited for the year 2023:

The company sells its product by adding 20% profit on cost. Determine the amount of VAT if the rate is 15%.

PC22.10:On January, 2024, REX Limited imported raw materials of readymade garments for Tk. 150,000 and sold it to Vertax Fashions for Tk. 200,000. Using these materials, Vertax Fashions made 250 pieces of shirts and sold it to Naz Fashion House, a wholesaler, for Tk. 250,000.

Naz Fashion House sold the shirts to a retail seller Banglar mela for Tk. 300,000. Banglar Mela sold all the shirts to various customers for Tk. 350,000. In each case and each stage 15% VAT is to be considered.

Compute VAT in each case.

PC22.11: Mr. Sumon, an importer, imported chemicals of Tk. 200,000 (C&F value determined by the Bangladesh Customs Authority). The insurance charge is 1% of the C&F value, borne by the importer. Thereafter, 1.5% landing charge is applicable on these goods. Customs duty & supplementary duty rate are 10% & 15% respectively. Calculate VAT, assuming a rate of 15%.

ANSWERS

MULTIPLE CHOICE QUESTIONS											TRU	E/F	ALSE	
1	2	3	4	5	6	7	8	9	10	1	2	3	4	5
b	c	b	d	d	b	a	d	с	c	F	T	T	F	T

SELF - REVIEW 22.1

The applicable rates are:

- 15%, 10%, 7.5% and 5%
- (a) VAT _ 4% (b) TT
- 5% to 500% (c) SD

SELF - REVIEW 22.2

According to section 16 of the VAT & SD Act, 2012, every person specified below shall be liable to pay VAT, namely -

- ☐ in relation to taxable import: the importer;
- in relation to any taxable supply in Bangladesh: the supplier;
- in relation to any taxable supply of imported service: the recipient of such supply in relation to any taxable supply of imported service:
- ☐ in relation to other cases: supplier or recipient of service.

23
Gift Tax

"Diseases are the tax on pleasures" — Albanian Proverb

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

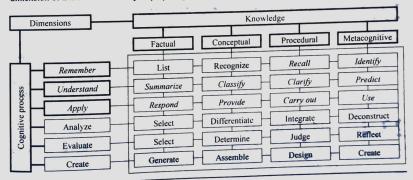
- CLO 23.1 understand the concept of gift
- CLO 23.2 know scope of gift tax act
- CLO 23.3 apply the rule of chargeability in gift tax
- CLO 23.4 identify various items of exemptions
- CLO 23.5 Know valuation methods of gift
- CLO 23.6 Know return submission formalities
- CLO 23.7 understand assessment procedure of gift tax
- CLO 23.8 explain the consequence of failure

KEY TERMS

Gift, Scope, Chargeability, Exemptions, Valuation, Return, Penalty, Notice of Demand, Recovery of Tax and Penalties, Rates of Tax, Assessment, Appeal

Bloom's Taxonomy

This chapter covers (italic) the entire knowledge dimension and the first three levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



C. 585 . 3

23.1

CLO

23.1

1

INTRODUCTION

Gift tax is a direct tax imposed on taxable gift. 'Gift' means any transfer of ownership and the control of the Gift tax is a direct tax imposed on taxable groups of another willingly and without of movable or immovable property by one person to another willingly and without of movable or immovable property by one property is evaluated at the current any consideration of money or money's worth. Property is evaluated at the current any consideration of money or money and adopted the Gift tax Act, 1963 with market price. After the independence, Bangladesh adopted the Gift tax Act, 1963 with market price. After the independence, Dangard was in force in Pakistan, Later, it was some changes and relevant modifications which was in force in Pakistan, Later, it was some changes and relevant mountained. Ordinance and came into force again repealed in 1985 through section 4 of Finance Ordinance and came into force again repealed in 1985 through section 4.6. Gift Tax Act, 1990 (Act No. 44 of 1990). In on 1st July 1990 in the name of the Gift Tax Act, 1990 (Act No. 44 of 1990). In on 1s July 1990 in the name of the Bangladesh, gift tax is leviable on the taxable gifts made at the rates specified in the Bangladesh, gift tax is leviable on Sich tax has been collected by the income tax schedule to the Gift Tax Act, 1990. Such tax has been collected by the income tax schedule to the Gift Tax Act 1990, if authority since 1963 except for 1985-86 to 1989-90. Under the Gift Tax Act 1990, if authority since 1903 except for and applicable only for gifts of domestic property is now payable by the donor and applicable only for gifts of domestic property donated except to spouse, blood-related family members and dependent relatives. government recognized educational, religious, charitable, disaster-management or medical establishments, local authorities, and some other prescribed persons. In the line of income tax, progressive slab taxation is also applicable for taxable gifts.

23.2

CLO

23.1

DEFINITION OF GIFT

Generally, the word "Gift" means something that is bestowed voluntarily and without compensation in return to someone. According to section 2(f) of the Gift Tax Act 1990, 'Gift' means the transfer of any existing immovable or moveable property by one person to another, made voluntarily and without consideration of any money or money's worth. The value of property under gift (other than cash) will be the value which, in the opinion of the DCT, the property would fetch if sold in the open market on the date of gift. When a property is not saleable in the open market and such value cannot be determined, its value will be determined according to the rules prescribed for the purpose. Valuation methods of gift have been provided in the section 5 of the Gift Tax Act, 1990.

23.3

CLO

23.2

SCOPE OF BANGLADESH GIFT TAX

Gift tax, its calculation and applicability in Bangladesh is guided by -

☐ The Gift Tax Act, 1990 (Act No. 44 of 1990): The Gift Tax Act, 1990 came into force on 1st July 1990. It has 21 sections, numerous subsections and one schedule containing rates of gift tax with reference to Section 3.

☐ The Gift Tax Rules, 1990: The Gift Tax Rules, 1990 is issued exercising the power vested through Section 21 of the Gift Tax Act, 1990. So far, 6 rules and 5 form formats have been issued by the NBR.

23.4

CHARGEABILITY

Every gift is not taxable under the act. Before charging tax on gift, some preconditions are required to be met as pointed out below:

☐ Transfer of property. either movable or immovable, is a must.

☐ Transfer of an existing property can be a gift. Any property that is not existed cannot be transferred as a gift.

☐ Transfer must be made by one person (donor) to another (donee).

To be a gift, the transfer should be made voluntarily without fear and favor. Transfer should be with/without consideration in money or money's worth.

However, gifts made by the following entity are not taxable as per section 20 of Gift Tax Act 1990:

☐ A body corporate established or constituted by or under any law;

☐ Any institution or fund, income whereof is exempt from income tax as per provisions of Paragraph 11 and 12 of Part 1 of the Sixth Schedule of ITA 2023; and

☐ A capital asset is received as a gift from a spouse, parent, or child, provided that both the donor and the recipient report it in their tax returns as per provision of Paragraph 35 of Part 1 of the Sixth Schedule of the Income Tax Act, 2023.

Transfer might take in the form of release, discharge, surrender, forfeiture or abandonment of a debt, contract, actionable claim or any interest in property in favor of others. Where such release, discharge, surrender etc. is not bonafide, the value of the release, discharge, surrender etc. would be deemed gift. And, in the case of transfer of property with inadequate consideration, the amount, by which the market values of the property exceed the value of consideration, would be the deemed gift.

23.5

EXEMPTIONS

1 Cartion 4 of the Gift Tax Act. 1	990.
A number of gifts are exempted from tax under Section 4 of the Gift Tax Act, 19	
A fluffiber of girls are exempted	

☐ Gift of property situated outside Bangladesh; CLO 23.4

☐ Where the beneficiary is the government or any local authority; ☐ Gifts to any educational institutions including polytechnic institute recognized by

any university or education board established under any law in force in Bangladesh or recognized or run by the government.

☐ Gifts to any hospital recognized or run/aided by the govt. or any local authority.

 $\hfill \square$ Gifts to any flood/disaster management fund established/approved by the govt;

☐ Gifts to any institution established in Bangladesh and approved by the Government or established and registered under any law in force for religious or charitable purpose in respect of a gift up to 20% (twenty percent) of his assessed income in the relevant assessment year or Tk. 100,000, whichever is less;

☐ Gifts to dependent relative up to Tk. 20,000 on the occasion of his/her marriage;

☐ Gifts by way of payment of policies of insurance or annuities to any person (other than wife or spouse) who is dependent upon him for support and maintenance up to Tk. 20,000.

☐ Gifts under a will;

☐ Gifts in contemplation of death;

☐ Gifts to sons, daughter, father, mother, his/her spouse, own brothers and sisters.

CLO

23.3

How to compute the amount of taxable gift in case of transfer of property with

(b) Only movable property can be transferred and considered at the time of Only movable property can be transferred and considered at computing taxable amount of gift - Do you agree? Why or why not?

Without prejudice to the above provisions, gift tax shall not be charged under this Act Without prejudice to the above processors during any financial year subject to a in respect of gifts made by any persons during any financial year subject to a in respect of gifts made by any partial in respect of gifts made by alue, i.e. basic exemption is of Tk. 20,000. The maximum of Tk. 20,000 in the value, i.e. basic exemption is of Tk. 20,000. The maximum of Tk. 20,000 in the discussion of gifts or persons from the tax payable government may also exempt any classes of gifts or persons from the tax payable under this Act by way of gazette Notification.

23.6

23.5

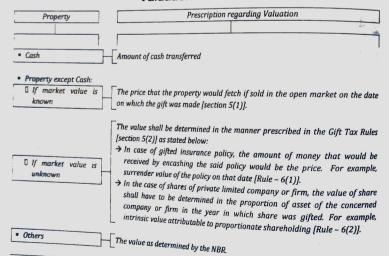
VALUATION OF GIFT

Rate of tax is applied on the market value of the gift. When market value of the gift is not available, the rules prescribed in section 5 and Rule 6 of the Gift Tax Act and the Gift Tax Rules, 1990 becomes applicable. The valuation of gifts is exemplified (in exhibit 23.1) below from the perspective of legal provision.

EXHIBIT

23.1

Valuation of Gifts



23.7

RETURN

23.6

Who should submit the return? Ans: Every person who has made any taxable gift. With whom? Ans: Deputy Commissioner of Taxes.

When? Ans: Before the 15th day of September of the corresponding assessment year.

The return may be submitted within due date or even after due date.

- ☐ Within Due Date (Section 7): If the DCT believes that a person is liable to pay gift tax in respect of gifts made in a financial year under this act, he may serve a minimum of 30 days' notice requiring the person to furnish a return in the prescribed form (Form 1) and manner. The DCT may also extend the date for the delivery of such return in his discretion. The person submitting return is liable to pay tax on or before the date of submission on the basis of the return. In failure without any reasonable cause, he shall be deemed to be an assessee in default.
- ☐ After Due Date (Section 9): If a person failed to submit return within due date or need corrections on the return already submitted, he may submit the return or do corrections at any time before the assessment.

ASSESSMENT 23.8

23.7

Once the return is submitted under either section 7 or 9, the DCT may be satisfied or may not be satisfied. If satisfied, the DCT shall determine the amount payable by the assessee as gift tax on the basis of the return submitted. But if he is not satisfied with the return, he shall serve a notice for producing evidence in support of his return and direct him to attend his office on a specified day. Then the DCT will examine the evidences and determine the gift tax payable by him after giving the assessee a hearing, if needed. If the assessee fails to produce supporting evidences, the DCT shall calculate the gift tax payable by him. Thus the assessment may take any of the three forms as presented in exhibit 23.2.

EXHIBIT

23.2

Forms of Assessment Assessment

On Correct Return Basis

The DCT is satisfied

- Physical presence is not required
- Without any evidence
- Submitted return is correct and complete

After Hearing

- · The DCT is not satisfied
- · Serve notice for physical
- presence and evidence After hearing, taxable gift and tax amount is determined

Rest Assessment

- · The assessee fails to present physically
- The assessee fails to produce
- The DCT determine taxable aift and tax liability to the best of his judgment



CLO

23.8

(a) How much of gift is generally exempted from tax? (a) How much of gift is generally example of the following situation: (i) Property that (b) State the valuation of gift under each of the following situation: (i) Property that State the valuation of gift and country (iii) Proportionate share of a firm, is salable in the market (ii) Insurance policy (iii) Proportionate share of a firm.

PENALTY FOR DEFAULT AND CONCEALMENT

If any person deliberately furnishes inaccurate information in a return or fails to furnish a return even after receiving a notice from the DCT, he may be imposed a penalty not exceeding fifty percent of the gift tax determined by him. The said penalty shall be payable along with the amount of the gift tax. But regarding the imposition of penalty, no order shall be made unless the person concerned has been given a reasonable opportunity of being heard and prior approval is taken from the Inspecting Joint Commissioner of Taxes (IJCT). Any aggrieved party may appeal to an appellate authority as it was in the case of income tax.

NOTICE OF DEMAND

When any tax or penalty is due in consequence of any order passed under this Act. the CLO DCT shall serve upon the assessee a notice of demand in the prescribed form 23.8 specifying the sum so payable and time within which it shall be payable. The notice of demand to be given shall have to be provided in "Form - 3" specified in the Gift Tax Rules, 1990.

RECOVERY OF TAX AND PENALTIES

The provisions regarding recovery of gift tax and penalties are as follows: CLO

- ☐ If an assessee has presented an appeal u/s 12, the DCT, may in his discretion treat the assessee as not being in default as long as such appeal is not disposed of.
- ☐ If an assessee failed to pay any amount of gift tax or penalty specified as payable within the time specified in the notice of demand sent to him by the DCT U/s 13, he shall be deemed to be an assessee in default.
- ☐ If the amount of gift tax or penalty payable under Section 13 is not paid within the specified period them it shall be deemed to be outstanding income tax under the Income Tax Ordinance, 1984 and shall be recoverable accordingly.

APPEAL

The provisions regarding appeal in the Gift Tax Act 1990 and Gift Tax Rules 1990 $\,$

☐ Any person aggrieved by the order of the Deputy Commissioner of Taxes or Tax Recovery Officer may prefer an appeal by "Form - 4" to the authority (Appellate Joint Commissioner of Taxes) as prescribed in the Income Tax Ordinance, 1984 [Section - 12(1) and Rule 5(1)(a)].

Any person aggrieved by the decision of the above appellate authority (Appellat
Joint Commissioner of Taxes) can appeal for revision and reference by "Form
5" to the authority (Appellate Tribunal) as prescribed in the Income Ta
Ordinance, 1984 [Section 12(1) and Rule 5(1) (b)].

- ☐ A certified copy of the order against which appeal is being made must be enclosed with the application of appeal [Rule 5(2)].
- ☐ Appeal, revision and reference under such circumstances will follow the method and procedure as prescribed in the Income Tax Ordinance, 1984.

23.13 RATES OF GIFT TAX

23.3

Gift tax is progressive like income tax with 4 tiers. The rates with the value of taxable gift are quoted below from the schedule of the Gift Tax Act, 1990:

	Rates	
On the first	Tk. 500,000 of the value of all taxable gift Tk. 1,000,000 of the value of all taxable gift 10%	
On the next	Tk. 2,000,000 of the value of all taxable gift	
On the balance	amount of the value of all taxable gift	

SOLVED PRACTICAL CASES (SPC)

CASH AND PROPERTY GIFT, DEPENDENT, DONATION TO HOSPITAL OUTSIDE **BANGLADESH, GIFT TO SOPUSE**

Mr. Karim has made gifts during the current income year as:

- ☐ Cash gift of Tk. 150,000 to a dependent relative on the occasion of marriage.
- Donated a house in Pakistan owned by him to a local hospital there. The market value of the house is Tk. 5,000,000.
- Gifted a motor car to the son of his close friend in the event of his marriage ceremony. The car was purchased at Tk. 800,000.
- ☐ Payment of annual dues regarding the life insurance policies of his brothers Mr. Rahim and Mr. Shahin; Mrs. Zerin (wife of Mr. Karim) and of himself. The amount being Tk. 20,000; Tk. 20,000; Tk. 30,000 and Tk. 35,000 respectively.

Two brothers Mr. Rahim and Mr. Shahin is dependent on Mr. Karim. Compute the taxable gift and the gift tax thereon.

- · · · ·	Assessment Year: 2024 – 2025	Income Year: 2023 - 2024	
Assessee: Karim		Tk.	Tk.
Computation of Taxable Gift: 1. Gift on the occasion of dependent relative's marriage		150,000	
Gift on the occasion of a Less: exempted [maxim]	um Tk. 20,000 as per section 4(1)(d)]	20,000	130,000

23.8

23.8

Ba	ingladesh Income Tax - Theory and Practice	5,000,000	
2. 3. 4.	Donation of a house to a hospital in Pakistan Less: exempted (full, being property situated outside Bangladesh) Gift of motor car to the son of a friend on marriage ceremony Annual Payment of Premium on Life Insurance Policies: Mr. Rahim Mr. Shahin	20,000 20,000 20,000 40,000	800,00
	Total life insurance premium paid for dependents Less: exempted [maximum Tk. 20,000 for dependent as per section 4(1)(e)] Payment of Life Insurance Premium of Mrs. Zerin Total Less: general exemption [section 4(2)]	20,000	20,000 30,000 980,000 20,000 960,000
Tax	able Gift		

Computation of Gift Tax Liability

On first Tk. 500,000 @ 5% and on next Tk. 460,000 @ 10%. Total gift tax liability is Tk. 71,000.



GIFT IN CONTEMPLATION OF DEATH, GIFT TO SON, DONATION TO APPROVED INSTITUTIONS, PROPERTY DONATED TO SPOUSE, GIFT WITH INADEQUATE CONSIDERATIONS, GIFT OUTSIDE BANGLADESH

Compute the gift tax for Mr. Nikhil for the current income year considering the following details:

Gift within Bangladesh

- ☐ Gift to dependent sister a piece of land valued at Tk. 600,000;
- ☐ Gift to his brother the share of firm valued at Tk. 1,200,000 in contemplation of
- ☐ Cash donation to the youngest son for starting his own garments business, Tk
- □ Donation to: Prime Minister's Relief Fund Tk. 60,000; Dhaka University Tk. 150,000; Dhaka Ahsania Mission Tk. 120,000; Aga Khan Development Network Tk. 80,000; Ram Krishno Mission Tk. 100,000;
- Donated a house in Dhanmondi to his wife valued at Tk. 2,500,000;
- ☐ Gift to the younger brother a motor car costing Tk. 800,000 on the occasion of marriage. His younger brother is independent;
- ☐ Gift to a friend a house at Chittagong as a token of love. However, he has received consideration from his friend amounting to Tk. 150,000. The market value of the house is Tk. 900,000;
- $\hfill\Box$ Loan given to a friend amounting to Tk. 120,000 become uncollectible and written off as bad debt.

Gift Outside Bangladesh

Donated a furnished flat to his sister-in-law in Nepal worth Tk. 500,000 and donated his office furniture to his son-in-law from his UK business office in the event of withdrawal of investment from UK valued at Tk. 460,000.

Assessee: Nikhil	Assessment	Year: 2024 – 2025	Income Year: 2023	- 2024
- unutation of Taxable Gift:			Tk.	Tk.
Giff to dependent sister a piec	e of land		600,000	
1. ess. exempted [full, as per se	ection 4(1)(h)]		600,000	nil
Gift to brother the share of fire	m in contemplation	on of death	1,200,000	
Less: exempted [full, as per se	ection 4(1)(g) or ((h)]	1,200,000	nil
Cash donation to son for starti	ing business		800,000	
Less: exempted [full, as per se	ection 4(1)(h)]		800,000	nil
Panation to: Prime Minister'	s Relief Fund		60,000	
4. Donation to. Dhaka Universi	ty		150,000	
Dhaka Ahsania	Mission		120,000	
Aga Khan Deve	elopment Networ	k	80,000	
Ram Krishno M			100,000	
Total donation to approved in	stitutions		510,000	ni
Less: exempted [full, as per se	ection 4(1)(c)]		510,000	111
5 Donated a house at Dhanmon	di to his wife		2,500,000	ni
Less: exempted [full, as per se	ection 4(1)(h)]		2,500,000	""
6 Gift to the brother in the even	t of marriage		800,000	ni
Loss: exempted [full, as per se	ection 4(1)(h)]		900,000	***
7. Gift to a friend with inadequa	te consideration:	Value of the property	150,000	
<i>7.</i>		Consideration received	130,000	750,00
		Deemed gift		750,00
8. Loan written-off as bad debt i	is not a gift			
(shown as charge against prof	fit in profit and lo	oss account)	500,000	
o Gift outside Bangladesh: Don	ation of a flat to	sister-in-law in Nepai	460,000	
Dor	nation of furnitur	e to son-in-law in UK	960,000	
Tot	al value of gift or	utside Bangladesh	960,000	n
Les	s: exempted [full	, as per section 4(1)(a)]		750,00
Total				20,00
Less: general exemption [sec	tion 4(2)]			730,00
Taxable Gift				

Computation of Gift Tax Liability

On first Tk. $500,\!000$ @ 5% and on next Tk. $230,\!000$ @ 10%. Total gift tax liability is Tk. $48,\!000$.



MARRIAGE GIFT, GIFT TO CHARITABLE & RELIGIOUS INSTITUTIONS, CITY CORPORATION, AND POLITICAL PARTY, GIFT THROUGH WILL

Given list of gifts is related to Mr. X for the current income year. Compute the taxable gift and the gift tax thereon.

- ☐ Cash donation to brother in law on the occasion of marriage Tk. 80,000;
- ☐ Gift of a flat to the only daughter on the occasion of marriage Tk. 2,500,000;

Bangladesh Income Tax - Th	Tax - Theory	nd i	practice
Bangladesh Income			Labo

come l	Donation to a local charitable institution Tk. 100,000; Donation to a local charitable infinancial crises Tk. 20,000; Appariton to his nephew in financial crises Tk. 40,000; Chis wife and himself Tk. 40,000;
	local charitable listitudes and crises Tk. 20,000;
	Donation to a focus of his nephew in financial crises and himself Tk. 40,000;
	Cash deliation of this wife
	payment of them.
П	to a political party the dar a will Tk. 450,000;
	Donation to a local high school under a will registered for charitable purpose in
	Payment of insulation party Tk. 120,000, Donation to a political party Tk. 120,000; Donation to a local high school under a will Tk. 450,000; Donation to an institution established and registered for charitable purpose in the party and the purpose in the purpos
_	
	- tadach IK. 300,000
	Bangladesi 1 to be seen total income of Mr. X amounted to corruption Tk. 100,000;
	Banglada year total income of Mr. A amount corruption Tk. 100,000;

- Donation to city corporation for the cause of fighting corruption Tk. 100,000; During the year, total inco
- ☐ Donation to a body corporate established by law Tk. 90,000;
- Donation to a religious institution whose income is exempted from income tax due to the application of paragraph 2 of part A of the Sixth Schedule of ITO 1984 Tk. 60,000.

	Assessment Year: 2024 - 2025	Income Year:	2023 - 202
Assessee: Mr. X	Assessment Team 202		
		Tk.	Tk.
Computation of Taxable Gif	ft	80,000	
maneria	age of brother-ill-law	20,000	60,000
Less: exempted [maximu	um Tk. 20,000 as per section 4(1)(d)]	2,500,000	
Gift of a flat to the daugh	hter on the occasion of marriage	2,500,000	ni
Less: exempted [full, as	per section 4(1)(h)]		100,000
Donation to a local chari		20,000	
 Cash donation to nephew 	y 4(1)(d)]	20,000	ni
	ım Tk. 20,000 as per section 4(1)(d)]		120,000
Donation to a political pa		450,000	.20,000
6. Donation to a local high		450,000	ni
Less: exempted [full, as]		300,000	•••
7. Donation to a charitable		300,000	
•	of 20% of total income (i.e., Tk. 200,000) and	100.000	
Tk. 100,000 [as per secti	on 4(1)(c)(iv)]	100,000	200 000
Donation to City Corners			200,000
administrate City Corpore		100,000	
Less: exempted [full, as] Donation to a body corner	per section 4(1)(b)]	100,000	nil
onacion to a body corpt	orate established by law	90,000	
Donation to a religious in	cable here [section 20 (a)]		-
Gift Tax Act is not applie	cable here [section 20 (b)]	60,000	
- te ran rec to not appin		-	-
Less. general exemption	Total		480,000
axable Gift	[Section 4(2)]	*4	20,000
	•		460,000
Computation of Gift Tax Lia	bilin		100,000

of Gift Tax Liability

On first Tk. 460,000 @ 5%. Therefore, total gift tax liability is Tk. 23,000.

KEY POINTS

MIS	the ar immovable property by on
П	Gift means any transfer of ownership of movable or immovable property by one
	person to another willingly and without any profit.
	that the property Would leten to

- ☐ The value of gift is the price that the property would fetch if sold in the open market on the date on which the gift was made.
- The Act is not applicable for gifts made by a body corporate established or
- ☐ Every person who has made any taxable gift is required to submit a return with the DCT before the 15th day of September of the corresponding assessment year.
- The person submitting a return is liable to pay tax on or before the date of submission on the basis of the return.
- If a person failed to submit return within due date or need corrections on the return already submitted, he may submit the return or do corrections at any time
- If any person deliberately furnishes inaccurate information in a return or fails to furnish a return even after receiving a notice from the DCT, he may be imposed a penalty not exceeding fifty percent of the gift tax determined by him.
- If an assessee failed to pay any amount of gift tax or penalty specified, he shall be deemed to be an assessee in default.
- ☐ Any person aggrieved by the order of the Deputy Commissioner of Taxes or Tax Recovery Officer may prefer an appeal to the Appellate Joint Commissioner of
- \Box Gift tax is progressive like income tax with 4 tiers having rates set at 5%, 10%, 15% and 20%.

MULTIPLE CHOICE QUESTIONS

- 1. The valuation of gifted insurance policy is made on the basis of -
 - (a) intrinsic value

(b) market value

(c) amount of premium paid

- (d) surrender value
- 2. Gift tax return is submitted to the -
 - (a) Deputy Commissioner of Taxes
- (b) Tax Recovery Officer (d) Appellate Authority
- (c) Inspecting Joint Commissioner of Taxes
- 3. When should the gift tax return be submitted?
- (b) Before the 15th day of September
- (a) Before the 15th day of June
- (d) Before the 15th day of March
- (c) Before the 15th day of December
- 4. Assume that the DCT determined the amount of gift tax payable by the assessee on the basis of the return submitted. What type of assessment does is called?
 - (a) Assessment after hearing

(a) Tk. 20,000

- (b) Best judgment assessment
- (c) Assessment on correct return basis
- (d) Universal self-assessment
- 5. What is the maximum amount of gift that is not chargeable under Gift Tax Act 1990? (b) Tk. 30,000
 - (c) Tk. 50,000

(d) Tk. 25,000

(b) For production of evidences

(d) None

Bangladesh Income Tax - Theory and Practice

(a) For physical presence

6. In case of assessment after hearing, why does the DCT serve notices?

PROBLEM CASES (PC)

PC	23.1: Mr. Ratan has made the following gifts during the current income year.
	npute his taxable gift and the gift tax thereon.
	Cash gift of Tk. 250,000 on the occasion of marriage of one of his relative who is
	not dependent on him.
	Donated a house in India owned by him to a charitable institution there. The
	market value of the house is Tk. 3,500,000.
	Gifted a motor car to the daughter of his close friend in the event of his marriage
_	ceremony. The
	Payment of annual dues regarding the life insurance policies of his: brothers Mr. Jatan and Mr. Kiron Tk. 20,000 for each
	Mrs. Faria (wife of Mr. Ratan) Tk. 30,000; and
	of himself Tk. 35,000.
	* ***
	Two brothers Mr. Jatan and Mr. Kiron are not dependent on Mr. Ratan.
PO	23.2: Mr. Faridul Alam has reported the following gifts for the current income
yea	ur. Compute his taxable gift and the gift tax thereon.
	fi within Bangladesh Gift to dependent sister a piece of land valued at Tk. 600,000;
	Gift to dependent sister a piece of faint valued at Tk. 1,200,000 in contemplation of
	to ado.
п	C. I. I. retire to the youngest son for starting his own business, 1k. 800,000;
	Design to Dring Minister's Relief Fund IK, 60,000, Dilaka Medical College
	and Hospital Tk. 150,000, Dhaka Ahsania Mission Tk. 120,000, 132
	Development Network Tk. 80.000;
	Donated a house in Dhanmondi to his wife valued at Tk. 2,500,000;
_	marriage. Gift to a friend, a house at Chittagong as a token of love. The market value of the
· E	Giand amounting to Tk 120,000 become unconcentrate
_	written off as bad debt.
G	iff Outside Bangladesh: Donated an unfurnished flat to his sister-in-law in Japan worth Tk. 500,000 and long the like his law from his LIK husiness office in
	ce Comitture to his daughter-In-law Holli ills Oli Submit
	donated his office furniture to his daughter in the day the event of withdrawal of investment from UK valued at Tk. 460,000.
	the event of withdrawar of investment

PC23.3: A list of gifts is given below that is related to Mr. Y for the current income year. Compute his taxable gift and the gift tax thereon.

	80,000
Cash gift to sister in law on the occasion of marriage Gift of a flat to the only daughter on the occasion of marriage	2,500,000
Gift of a flat to the only daughter on the	100,000
Donation to a charitable institution	20,000
Cash donation to his nephew for doing business Cash donation to his nephew for doing business Payment of insurance premium of his wife and himself	40,000
Payment of insurance prenitum of its	120,000
Donation to a political party	450,000
Donation to a local high school Donation to an institution established and registered for	
Donation to an Histiation Countries of Bangladesh.	100,000
charitable purpose in Bangladesh.	100,000
Donation to city corporation Donation to a body corporate not established by law	90,000
Donation to a body corporate not established by	,,,,,,
Donation to a religious institution whose income is exempted	
from income tax due to the application of paragraph 2 of part	60.00
A of the Sixth Schedule of ITO 1984.	60,000

During the year, total income of Mr. X amounted to Tk. 1,000,000.

ANSWERS

MUI	TIPL	E CI	HOIC	E QU	JEST	IONS	8					TRU	JE/F	ALSE
	2	3	4	5	6	7	8	9	10	1	2	3	4	5
d	a	b	С	a	С	b	d	b	d	T	F	T	F	F

SELF - REVIEW 23.1

(a) In the case of transfer of property with inadequate consideration, the amount, by which the market values of the property exceed the value of consideration, would be the amount of gift.

The following equation may be used at the time of computation of taxable gift in such situation:

Taxable Gift - Value of the Property Transferred - Consideration Received

(b) No. both movable and immovable property can be transferred and considered at the time of computation of taxable gift under Gift Tax Act, 1990.

SELF - REVIEW 23.2

- (a) Tk. 20,000
- (b) (i) Market value
 - (ii) Surrender value
 - (iii) Intrinsic value

FRE YE

Customs and Other Taxes

"We are told that this is an odious and unpopular tax. I never knew a tax that was not odious and unpopular with the people who paid it." - John Sherman

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

CLO 24.1 understand the concept of customs duty

CLO 24.2 identify customs procedure

CLO 24.3 list the scope of Bangladesh Customs Law

CLO 24.4 recognize customs authority and their role

CLO 24.5 apply levy of customs duty

CLO 24.6 list prohibited goods

CLO 24.7 recall valuation process

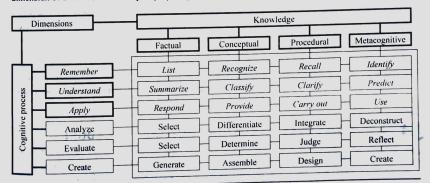
CLO 24.8 understand other taxes for travel, excise duty, narcotics

KEY TERMS

Customs, NBR, Prohibited goods, Valuation, Levy, Assessment, Excise duty, Travel tax, Baggage rules, Narcotics duty

Bloom's Taxonomy

This chapter covers (italic) the entire knowledge dimension and the first three levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



24.1

INTRODUCTION

CLO 241

Customs is an authority or agency in a country responsible for collecting and safeguarding customs duties and for controlling the flow of goods including animals personal effects and hazardous items in and out of a country. Depending on local legislation and regulations, the import or export of some goods may be restricted or forbidden, and the customs agency enforces these rules. Customs Duty synonymous to tariff and involves a tax on commodities entering and leaving the country. Customs duty is sometimes called an 'external excise tax', which includes an export duty or an import duty. In Bangladesh the levy and chargeability of customs duty are governed by the Customs Act, 2023.

24.2

BANGLADESH CUSTOMS

24.3

The origin of customs duty dates back to the 'customary levies' of ancient times. In the early twentieth century, 'taxes on imports and exports' were the seventh major source of public revenue. The present customs system came into being in the nineteenth century. The entire law and machinery for collection was consolidated in 1878, when the Sea Customs Act was enacted on the pattern of the British customs law, giving legal authority for the levy and collection of customs duty. The administration was initially vested in the provincial government until 1924, when it was brought under the central control with the establishment of the Central Board of Revenue (CBR) under CBR Act of 1924. The Land Customs Act was also promulgated in 1924 to enable the central government to enforce control on the movement of goods and passengers by land routes and frontiers from the subcontinent to adjoining territories and vice versa or in transit from one country to the other via the subcontinent. The Customs Act 1969 was enacted to consolidate and amend the law relating to the levy and collection of customs duties and provide for allied matters. After the emergence of Bangladesh, the government abolished CBR and created National Board of Revenue (NBR) as the apex tax authority with power to take over customs administration. The Customs Act was made effective in Bangladesh by President's Order no. 48 of 1972 with effect from 01 January 1970. The NBR has been trying to replace the existing customs law since 2013. The first draft of the customs law was approved by the cabinet in September 2014 with some recommendations. Considering all the relevant issues the NBR has drafted a new Customs Act titled "Customs Act, 2023", to replace the previous 50-year-old Customs Act-1969. The Customs Bill 2023, drafted in Bangla, has been placed in the parliament on October 25, 2023 and passed on November 13, 2023 introducing the new-customs act named "The Customs Act. 2023 (Act No 57 of 2023). The new act has taken into effect from July 01, 2024.

24.3

OBJECTIVES OF CUSTOMS ACT AND PROCEDURE

In Bangladesh, the primary function of the customs authority is the administration of revenue under the Customs Act 2023 and the Value Added Tax and Supplementary Duty Act 2012 The customs authority is responsible mainly for assessment and collection of customs duties, VAT, supplementary duty and other taxes and charges leviable on imported or exported goods. Its collateral function includes prevention of smuggling, implementation of the Imports and Exports (Control) Act 1950, and the enforcement of the Foreign Exchange Regulation Act 1947. In its auxiliary function, the customs authority also maintains the security measures under different statutes, namely the Arms Act 1878, the Explosives Act 1884, the Merchandise Marks Act 1889, the Livestock Importation Act 1898, the Narcotics Control Act 1990, etc.

The major objectives of customs tariff policy are the protection of domestic industries, improvement of the balance of payments position, discouragement of importing demerit goods having negative externality, promotion of exports and simplification of procedure of importing inputs and capital goods for exporters. Tariff policy also has an objective of ensuring that the inputs of domestic products are not subject to tariffs higher than those of competing finished imports.

Duties and taxes collected on international trade now comprise the one of the largest shares of tax revenue in Bangladesh. More than 60% of total taxes come from indirect taxes, about 10% of total tax which is collected at customs-station in form of import duty. In Bangladesh, the export is almost zero-rated, so customs duty is not charged on export commodity. However, due to tariff reduction after the signing of the World Trade Organization (WTO) Agreement, the share of customs duty in the tax structure has been falling in recent years. The provisions of the customs act also help the country to protect the interest of the local industries.

CUSTOMS PROCEDURE

The Customs Act is related to import and export of "goods". The goods are brought into or taken out of Bangladesh under the provision of Customs Act. The "conveyance" entering Bangladesh from any place outside Bangladesh with imported goods must land at a "customs-area" which is usually a "customs-station" and which includes other area where imported goods or goods for export are ordinarily kept by the customs authorities.

The "person-in-charge" of the conveyance is liable to comply this provision u/s 48. The customs-station may be a "customs-port", "customs-airport" or any "land customsstation". For control purposes, no vessel whether laden or in ballast, shall depart from any customs-port without a port clearance granted by the appropriate customs officer and no conveyance other than a vessel shall depart from a land customs-station or customs-airport without a written permission granted by the appropriate customs officer u/s 53. Besides u/s 63, goods are usually not to be loaded or unloaded or waterborne except in the presence of an "appropriate officer". And usually, goods are also not be loaded or unloaded or passed on certain days or at certain times u/s 65 and they are not be loaded or unloaded except at approved places u/s 68. For imposing customs duty, the customs authorities assess the duty u/s 90 and 91.

24.2

24.5 CLO

24.3

SCOPE OF BANGLADESH CUSTOMS LAW In order to determine the customs duty and complete the customs procedure in Bangladesh, certain provisions, rules and regulations are to be followed. They are:

- ☐ The Customs Act, 2023. The Customs Act, 2023 came into force in Bangladesh by Act no. 57 of 2023 dated November 13, 2023 with effect from 01 July 2024. It has Act no. 37 of 2020 dates.

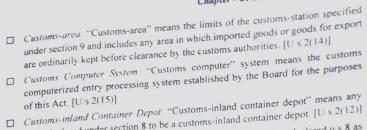
 Act no. 37 of 2020 dates. 269 sections, numerous subsections containing provisions twenty seven chapters. 269 sections. regarding customs duty determination, penalty, appeal etc.
- ☐ Relevant Import Export Policy Bangladesh Import Policy and Bangladesh Export
- ☐ Finance Act. It contains the changes introduced in the Customs laws in Bangladesh during the annual budget.
- ☐ SROs: various SROs are issued time to time by the NBR to enhance the customs procedure as and when necessary.
- ☐ Allied Acts and Rules: Such as, the Arms Act. 1878; General Clauses Act, 1897, Explosive Substances Act. 1908; Light House Act, 1927; Provisional Collection of Taxes Act. 1931; Agricultural Produce Cess Act, 1940; Excise and Salt Act, 1944; Foreign Exchange Regulation Act, 1947; Imports and Export (Control) Act, 1950: Criminal Law Amendment Act. 1958; National Board of Revenue Order, 1972; Travel Tax Act, 2003; Money laundering Prevention Act, 2012 etc.
- ☐ Judicial Decisions: Such are given by the Supreme Court settling Customs Cases.

24.6 CLO

24.1

STATUTORY DEFINITIONS OF IMPORTANT TERMS AS PER SECTION 2 OF THE CUSTOMS ACT. 1969

- ☐ Agent: "agent" means any person, including a shipping agent, clearing and forwarding agent, cargo agent, and freight forwarding agent, licensed under section 243, or any person permitted to transact any business u/s - 244. [U's 2(8)]
- ☐ Appellate Tribunal: "Appellate Tribunal" means the Customs, Excise and Value Added Tax (VAT) Appellate Tribunal constituted under section 225. [U/s 2(1)]
- ☐ Appropriate Officer: "Appropriate Officer", in relation to any functions to be performed under this Act, means the officer of customs to whom such functions have been assigned by or under this Act. [U/s 2(42)]
- ☐ Bangladesh customs-waters: "Bangladesh customs-waters" means the waters extending into the sea to a distance of twenty-four nautical miles measured from the appropriate base line on the coast of Bangladesh. [U/s 2(35)]
- ☐ Coastal Goods: "Coastal goods" means goods transported in a vessel from one port in Bangladesh to another, but dose not include imported goods on which customs duty has not been paid. [U/s 2(6)]
- ☐ Conveyance: "Conveyance" means any means of transport used for carrying goods or passengers such as a vessel, aircraft, vehicle or animal. [U/s 2(43)]
- ☐ Customs-airport: is any airport declared U.s 8 to be a customs-airport. [U/s 2(17)]



- place declared under section 8 to be a customs-inland container depot. [U s 2(12)] ☐ Customs-inland water container terminal: This means any place declared u/s 8 as a customs-inland water container terminal [U s 2(13)]
- ☐ Customs-port: "Customs-port" means any place declared under section 8 to be a
- ☐ Customs-station: "Customs-station" means any customs-port, customs-airport, land customs stations, customs-inland water container terminal or such other place as may be declared, from time to time, under section 8 [1! s 2(23)]
- ☐ Goods: "Goods" means all movable goods and includes
 - Stores and materials Conveyances
 - Currency and negotiable instruments
 - Board specified goods Electronic data. [U's 2(30)]
- ☐ Master: "Master", when used in relation to any vessel, means any person, except a pilot or harbour master, having command or charge of such vessel. [U/s 2(41)]
- "Officer of customs" means an officer appointed under section 4. [U s 2(16)]
- ☐ Person: "Person" includes a company, partnership, association, firm or a body of persons. [U s 2(39)]
- ☐ Person-in-charge: "Person-in-charge" means -
 - in relation to a vessel, the master of the vessel;
 - in relation to an aircraft, the commander or pilot in-charge of the aircraft;
 - in relation to a railway train, the conductor, guard or other person having the chief direction of the train;
 - in relation to any other conveyance, the driver or any other person having control of the conveyance. [U/s 2(40)]
- ☐ Rules: "Rules" means the rules made under this Act. [U/s 2(37)]
- ☐ Smuggle: "Smuggle" means to bring into or take out of Bangladesh in breach of any prohibition or restriction for the time being in force; or evading payment of customs-duties or taxes leviable thereon
 - narcotics, narcotic drugs or psychotropic substance; or
 - gold bullion, silver bullion, platmum, palladium, radium, precious stones, currency, manufactures of gold or silver or platinum or palladium or precious stones, or any other goods notified by the Government in the official Gazette, in each case exceeding Taka ten lakhs in value; or

- any goods in breach of payment guidelines of Bangladesh Bank; or
- any goods concealed in any manner in any place on board any ship, vessel or aircraft or in any other vehicle or in any baggage or cargo or on person; or
- any other goods by any route other than a route declared under section 8 or 9 from any place other than a customs-station; and includes an attempt, abatement or connivance of so bringing in or taking out of such goods; and all cognate words and expressions shall be construed accordingly.
- Any other goods. As declared by the Board through Gazette notification [U/s 2(r)
- Warehouse: means a place appointed U/s 11 or a place licensed U/s 12. [U/s 2(9)] Warehousing Station. "Warehousing station" means a place declared as a warehousing station under section 10, [U/s 2(10)]
- Wharf: "Wharf" means any place in customs-port approved under clause (b) of section 9 for the loading and unloading of goods or any class of goods. [U/s 2(25)]

24.7

CLO

24.4

CUSTOMS AUTHORITIES

Customs authority is the empowered body through the act that has the sole authority to impose different sections under this act. NBR as per Chapter II (Section 4 to 7) of the Customs Act, 2023 deals with the appointments of the officers of customs and their powers. Apart from this, section 225 of the act talks about the appellate tribunal which also forms a part of authorities. Customs authorities with the organogram are presented in exhibit 24.1 followed by a discussion thereof.

Powers and Duties of Officers of Customs (Section 5)

An officer of customs appointed under section 5 shall exercise -

such powers and discharge such duties as are conferred or imposed on him all power/discharge all duties conferred/imposed on any subordinate officer.

Provided that, the Board may impose such limitations or conditions on the exercise of such

powers and discharge of such duties as it thinks fit.

Delegation of Powers (Section 6)

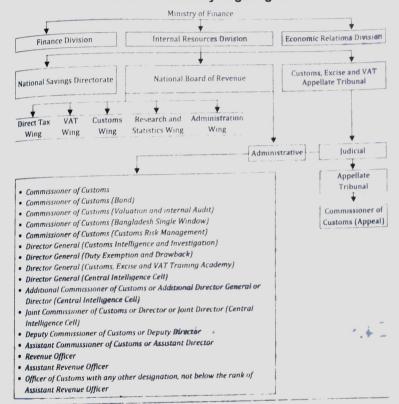
The Board may, by notification in the official Gazette, and subject to such limitations or conditions, if any, as may be specified therein, delegate the power by name or designation as given in the following figure.

According to Section 6. The Board may, by an official order, entrust, conditionally or unconditionally, any function of an officer of customs under this Act to any other officer of the Government. No such officer entrusted with any function of an officer of customs shall interfere in any manner in the performance of any function by an officer of customs in places notified under section 8 (i.e., Declaration of customs-ports, custom-airports etc.)

EXHIBIT

24.1

Customs Authority Organogram



Assistance to the Officers of Customs (Section 7)

All officers and staffs of government and semi-government organizations, law enforcement agencies, security forces, autonomous bodies, statutory bodies, financial institutions, educational institutions, private organizations, local government and nongovernment organizations shall assist the officers of customs in the discharge of their functions under this Act.



What is the meaning of "person-in-charge" under the Customs Act, 2023?

24.8 PROHIBITED GOODS

CLO 24.6 Some of the goods are prohibited to bring into Bangladesh whether by air or land or sea as per section 17 of the Customs Act, 2023. These are counterfeit coin:

forged or counterfeit currency notes and any other counterfeit product
notes and any other counterfeit product

_	any obscene hook	namphlet managed to	
		s. painplifet, paper, drawing, painting, representation	_
	photograph, film of	 k, pamphlet, paper, drawing, painting, representation, or article, video or audio recording, CDs or recording 	figure
	-1	of article, video of audio recording, CDs or recording	3-10,
	other media;	o recording	on any
	0		

ш	Goods	brought	into	Bangladesh	in	violation	of	the	provision		
	Conser	vation and	d Sec	urity Act 201	2 (/	Act No. 30	of:	2012)	of	Wildlife

_	rake	goods	used	for	geographical	indication.
---	------	-------	------	-----	--------------	-------------

_	goods naving applied thereto a counterfeit trademark within the
	goods naving applied thereto a counterfeit trademark within the meaning of the Penal Code (Act XLV of 1860), or a false trade description within the meaning of the Section 3(5) of Trademark Act 2000.
	Code (Act ALV 01 1800), or a false trade description within the
	the Section 2(5) of Trademost, Apr. 2000 (4)
	the Section 2(5) of Trademark Act, 2009 (Act No. XIX of 2009);

ш	piece-goods manufactured outside Bangladesh, unless the real length thereof in
	bangladesh, diffess the real length thereof in
	standard meters or other measurement for the time being applying in Bangladesl
	and a street in castiement for the time being applying in Bangladest
	has been conspicuously stamped on each piece in any means;
	seem conspicuously stamped on each piece in any means:

goods made or produced violating the provisions of the Bangladesh	Patent	Act
2022 (Act No. V of 2022).	· atom	ACI

ш	goods made or produced	violating the provisions of Bangladesh Copyright Act
	Condemnative	e i e e e e e e e e e e e e e e e e e e

☐ Goods prohibited under ☐	er any otl	her Act
----------------------------	------------	---------

Goods specified as prohibited, time to time, through official gazettee.

24.9

CLO

24.5

LEVY OF CUSTOMS DUTIES

Several types of duties are imposed on goods at the time of import or export as per various provisions (Basically Chapter 6) of the CA, 2023. The relevant discussions are:

Goods Dutiable

□ Section 18. Except as hereinafter provided, customs duties shall be levied at such rates as are prescribed in the First Schedule or under any other in force law. Provided that no customs duty and regulatory duty under this Act or any other tax leviable under any other law for the time being in force shall, subject to such conditions, limitations or restrictions as the Board may, from time to time, by notification in the official Gazette, impose, be levied or collected in respect thereof, if the value of the goods for assessment purpose in any one consignment does not exceed two thousand taka.

Various Types of Duties Under the Customs Act, 2023

- ☐ General Customs Duty ws 18(1): This is the duty imposed on the goods durable u's 18(1) which are prescribed in the First Schedule i.e (i) goods imported into or exported from Bangladesh, (ii) goods brought from a foreign country to any customs-station, and without payment of customs duty there, transshipped or thence carried to and imported at, any other customs-station; and (iii) goods brought in bond from one customs-station to another.
- □ Regulatory Duty w's 18(2): This is the duty which may be imposed by the Government through notification in the official gazette on all or any of the goods specified in the First Schedule in addition to the General Customs Duty imposed under u's 18(1) at a rate not exceeding two times of the highest rate of General Customs Duty.

Explanation- The rate of regulatory duty on any such goods may be higher than that of the customs-duty leviable on that goods as prescribed in the said Schedule, provided such regulatory duty does not exceed two times of the highest rate of customs-duty of that Schedule.

- ☐ Countervailing Duty w's 19: Where any country or territory pays, bestows, directly or indirectly, any subsidy upon the manufacture or production therein or the exportation therefrom of any goods including any subsidy on transportation of such goods, then, upon the importation of any such goods into Bangladesh, whether the same is imported directly from the country of manufacture, production or otherwise, and whether it is imported in the same condition as when exported from the country of manufacture, production or otherwise, the Government may, by notification in the official gazette, impose a countervailing duty not exceeding such subsidy.
- Anti-dumping Duty w/s 20. Where any goods are exported from any country or territory to Bangladesh at less than the normal value, then, upon the importation of such goods into Bangladesh, the Government may, by notification in the official gazette, impose an anti-dumping duty not exceeding the 'margin of dumping' (the difference between the export price and the normal value) in relation to such goods.
- □ Safeguard Duty ws 23: This is the duty which may be imposed by Government when it is satisfied that any article is being imported into Bangladesh in such increased quantities and under such conditions that such importation may cause or threaten to cause serious injury to domestic industry.

24.10

EXEMPTIONS FROM CUSTOMS DUTY

CLO 24.5 Considering the improvement of economic development and social welfare of Bangladesh, the government has allowed the import or export of some relevant goods fully or partly exempted from customs duty. Section 25 explained the provisions regarding the exemption.

☐ General Exemption [(section 25(1))]: If the Government is satisfied, after consultation with the National Board of Revenue (NBR), that it is necessary in the

public interest to do so, it may, by notification in the official gazette, exempt any goods imported into, or exported from Bangladesh or into or from any port or station or area therein, from the whole or any part of the Customs Duty chargeable given. Provided that if, in a financial year, exemption under this sub-section is given in respect of any goods, the rate of duty cannot be changed more than once in that year so as to increase that rate.

- Exemption in Special Circumstances [(section 25(2))]: If the Government is satisfied that it is necessary in the public interest to do so, to comply with any international or bilateral agreement of reciprocal basis, it may, by a special order, exempt any goods from payment of the whole or any part of the Customs Duty chargeable thereon.
- Special Exemption [section 25(3)]: The government may, by special order, exempt any goods from payment of the whole or any part of the Customs Duty chargeable thereon during import.

24.11

CLO

247

VALUATION OF GOODS FOR IMPOSITION OF DUTY

The valuation of goods for imposition of duty is done on the basis of the various provisions of section 27 of the Customs Act, 2023 and The Customs valuation (Fixing the price of Imported goods) Rules, 2000. A brief summery are as follows:

Value of Imported Goods Under Section 27(1-5)

The provisions for computation of the value of goods for charging customs duty are as follow.

- Whenever customs-duty is leviable on any goods by reference to their value, the actual price, that is, the price actually paid or payable, or the nearest ascertainable equivalent of such price, at which such or like goods are ordinarily sold, or offered for sale, for delivery at the time and place of importation or exportation, as the case may be, in course of international trade under fully competitive conditions, where the seller and the buyer have no interest in the business of each other and the price is the sole consideration for sale or offer for sale, shall be the value.
- Notwithstanding anything contained in this section, the Government may, by notification in the official Gazette, fix, for the purpose of levying customs duties, tariff values or minimum values for any goods imported or exported as chargeable with customs-duty ad valorem. Provided that any imported or exported goods, the declared value of which is higher than its tariff value fixed under this sub-section, shall be chargeable with customs duties based on its declared value [section 25(3)].

24.12

DATE FOR DETERMINATION OF RATE OF DUTY, VALUE AND EXCHANGE RATE FOR IMPORTED GOODS

According to section 30, the date for determination of the duty value and exchange rate of imported goods and rate of import duty will be:

CLO 24.5 In the case of goods cleared for home consumption

Date on which the declaration of goods is registered.

In the case of goods cleared for a warehouse for home consumption

In the case of any other goods

Date on which the goods are registered under section 83.

24.13 PREVENTION OF SMUGGLING, POWERS OF SEARCH, SEIZURE ETC.

Power to Search [Sections 177, 178, and 179)

24.4

An appropriate officer of Customs may search any person if he has reason to believe that the person is carrying goods liable to confiscation. The person who has landed from or is on board or is about to board a vessel within the Bangladesh customs-waters, or if he has alighted from or is about to get into or is in any other conveyance arriving in opproceeding from Bangladesh, or if he is entering or about to leave Bangladesh, or if he is within the limits of any customs-area, may be searched in this regard [U/S – 177].

The Searching officer of Customs shall inform the person about his right to be taken to a gazetted officer of Customs or Magistrate. If it is found that there is no reasonable ground for search, the person would be discharged from any search or else the search would be made in the presence of two or more persons and witness. A female can be searched by female only [U/S-178].

If the searching officer has reason to believe that any person has any goods liable to confiscation secreted inside his body, he may detain such person and produce him to a qualified radiologist for X-Raying his body [U/S – 179]. In all the above cases, a seizure list would be prepared by the concerned Customs Authority for future reference.

Power to Arrest [Section 180]

Any authorized Customs officer or any person duly empowered for the prevention of smuggling who has reason to believe that any person has committed an offence under this Act may arrest such person.

Power to Stop and Search Conveyance [Section 185]

Where the appropriate officer has reason to believe that within the territories of Bangladesh (including territorial waters) any conveyance has been, is being, or is about to be, used in the smuggling of any goods or in the carriage of any smuggled goods, he may at any time stop any such conveyance or, in the case of an aircraft, compel it to land and can use any lawful means for stopping it or preventing it escape including, if all other means fail, firing upon it.

96

Seizure of Things Liable to Confiscation [Section 191]

The appropriate officer may seize any goods liable to confiscation under this Act, and where it is not practicable to seize any such goods, he may serve on the owner of the goods or any person holding them in his possession or charge an order that he shall not remove, part with, or otherwise deal with the goods except with the previous permission of such officer. They may also seize any documents or things which in his opinion will

OFFENCES AND PENALTIES

CLO 24.4

whoever commits any offence shall, in addition to and not in derogation of any punishment to which he may be liable under any other law, be liable to the punishment mentioned against that offence as per section 171. Under this section various penalty measures of 45 types of offences are enumerated. The details of this section can be found in the website of the BD Ministry of Law [http://bdlaws.minlaw.gov.bd/act-

ALTERNATIVE DISPUTE RESOLUTION

CLO 24.4

To ease the customs related dispute settlement, the provisions of Alternative Dispute Resolution has been introduced through the inclusion of a separate chapter in the Customs Act, 2023 (Chapter XXV). Notwithstanding anything contained in Customs Act any dispute of an importer or exporter lying with any customs authority or Commissioner of Customs (Appeal) or Appellate Tribunal or High court or Appellate Division of the Supreme Court may be resolved through Alternative Dispute Resolution (hereinafter referred to as ADR) in the manner described in the sections (216-219) of this Chapter and rules made thereunder. The basic features under this chapter are discussed below in brief:

- ☐ Commencement of ADR Process [section 216(2)]: The ADR as mentioned in this Chapter shall come into force on such date and in such class or classes of assesses as the Board may determine by notification in the official Gazette.
- ☐ Definition and Scope of Disputes for ADR [section 217]: For the purposes of this chapter, "dispute" means
 - any case or proceeding-
 - I related to customs valuation or, for imposition of fine or penalty in relation to the determination of customs valuation of any imported consignment;
 - pending before any customs authority or Commissioner of Customs (Appeal) or Appellate Tribunal or High court or Appellate Division of the Supreme Court;

Notwithstanding anything contained in above section, the following disputes shall not be dealt with ADR, namely:

- fraud or criminal cases;
- disputes involving allegations of money laundering;

- disputes involving seizure and confiscation of prohibited, restricted or smuggled
- disputes involving customs classification of imported goods; and
- disputes on alleged evasion of duties and taxes through the resort to misdeclaration of H.S.Code, name and quantity of goods, fraud of documents, violation of import and export policy or violations of customs bonded warehouse related licensing and/or bond related conditions.
- ☐ Appointment of Facilitator and duties of the parties concerned [Section 218]: For the purposes of resolving a dispute in an alternative way, the Board may select or appoint Facilitator and determine his duties and responsibilities by rules.
- ☐ Processing and Disposal of Applications for ADR [Section 219]: Applications received from the aggrieved importer or exporter for ADR within this chapter, is to be processed and disposed of, according to the rules.

TRAVEL TAX

CLO

24.8

In Bangladesh, travel tax is levied as per section 3 of the Travel Tax Act, 2003. The relevant provisions applicable to impose travel tax are as follows:

Procedure and Rate of Travel Tax

TOCCUMPE WHILE BY THE PARTY OF	
The procedure of collection and rate of trave	I tax under section 3 is as follows:

- ☐ Travel tax is collected from a passenger who travels inside Bangladesh and from Bangladesh to any country by air, land or sea.
- ☐ The Government may, by rules, prescribe the rate of Travel Tax.
- ☐ Travel Tax is to be levied and collected from each passenger at rate mentioned below (for different modes of travel) effective from July 01, 2023.
 - Tk. 6,000 for travelling to any country in North/South America. Europe, Africa, Australia, New Zealand, China, Japan, Hongkong. North Korea, Vietnam, Laos, Combodia and Taiwan;
 - Tk. 2,000 in case of travel to any SAARC country by air;
 - Tk. 4,000 for any country except countries mentioned above.
 - . Tk. 200 in case of travel inside Bangladesh by Air

Sea/Water • Tk. 1,000 to any country travelling through sea/water.

. Tk. 1,000 to any country travelling through land. / Land

Provided that travel tax will be imposed @ 50% of the above rate for the passenger
not exceeding 12 years of age.

ot execeding = j
Producer for collection of travel Tax shall be prescribed by regulations

- ☐ Tax collected in accordance with the procedure under sub-section (1) shall be deposited to the government Treasury within the prescribed time.
- ☐ Where any person or organization, responsible for collection of Travel Tax fails to deposit the Travel Tax so collected to the Government Treasury within the prescribed time, an amount equal to the amount which he or it fails to deposit to

month of such tax, shall be collected from such 5.

The aggrieved party may apply to consider the fine within 30 days of receiving the applications of the applications of the such factors of the such factor The aggreed party may apply to consider the side of receiving the application and NBR will settle the case within 60 days of receiving the application and

Exemption from Travel Tax |Section 4|

The Government may, by notification in the official Gazette, exempt any person or class of persons from Travel Tax payable under this Act. Notwithstanding anything contained in Section 3, the following passengers be exempted from travel Tax payable

(a) Passengers upto 5 years old; (b) Any person traveling to Saudi Arabia for Haij; (c) Blind person, Patient suffering from Cancer, and Invalid person with stretcher cases; (d) Officials of the United Nations and the members of their family; (e) Members of the diplomatic mission in Bangladesh holding diplomatic status and the members of their family; (f) Staffs and their family members in Bangladesh working for the World Bank, German Technical Organization, Japan International Development Organization; (g) Airlines crew on duty; (h) Transit passengers without Bangladesh VISA who shall not stay in Bangladesh for more than seventy two hours; and (i) Bangladeshi citizen working in any Airlines who enjoy free or reduced fare for foreign

24.17

CLO

24.8

EXCISE DUTY

Excise Duty is a tax on goods produced inland. It is a tool of government revenue collection. The government can use it with the motive of 'income distribution' or for implementing the benefit principle of taxation i.e., collection of funds through excise on particular products (like Tobacco) and using the funds for assisting people affected by consumption of that product. Excise duty is also imposed to discourage the

consumption of certain so-called 'undesirable' commodities (e.g., liquor and tobacco)

or to control or ration the consumption of certain commodities in times of external scarcity (such as in wartime) or inflationary pressure.

Excise duty is imposed in Bangladesh under the Excise and Salt Act 1944 (Act I of 1944) enacted on 24 February 1944. This law was introduced to levy and collect excise duties on salt and on goods manufactured or produced in the sovereign territory of the country. Before introducing Value Added Tax (VAT) in July 1991, the excise constituted the second largest source of revenue for the government (about 22% of total revenue). But VAT had reduced the tax-coverage of excise duty to a minimum. Excise duty is collected by the Customs, Excise and VAT wing of the NBR. The services subject to excise duty are listed in the Part II of the First Schedule of the Excise and Salt Act 1944 and their list includes services rendered by Bank or Financial Institution and Airline. The rates of excise duty for the assessment year 2023 - 2024 are as follows:

EXHIBIT

24.2

Rate of Excise Duty

[Reference: SRO No. 136-L/2024/242-Excise dated May 27, 2024]

Services Rendered by Bank or Financial institute	s [Service code E032,00]
--	--------------------------

• If the balance (Debit/Credit) ≤ Tk. 100,000 at any time during a year	Nil
• If the balance (Debit/Credit) > Tk. 100,000 but < Tk. 500,000	Tk. 150 per account per year
• If the balance (Debit/Credit) > Tk. 5 Lakh but < Tk. 10 lakh	Tk. 500 per account per year
• If the balance (Debit/Credit) > Tk. 10 lakh but < Tk.50 lakh	Tk. 3,000 per account per year
If the balance (Debit/Credit) > Tk. 50 lakh but < Tk. 1 crore	Tk. 5,000 per account per year
• If the balance (Debit/Credit) > Tk. 1 crore but < Tk. 2 crore	· Tk. 10,000 per account per year
If the balance (Debit/Credit) > Tk. 2 crore but < Tk. 5 crore	Tk 20,000 per account per year
• If the balance (Debit/Credit) > Tk. 5 crore	Tk. 50,000 per account per year
Services Rendered by Airline [Service code E033.00]	
• Services rendered by airline through issuing a domestic "Airline Ticket per Seat" for single journey, which may involve stops over on its way to ultimate airport of destination	Tk. 500
Services rendered by airline through issuing an international "Airline Ticket per Seat" for single journey, which may involve a connecting flight from a domestic airport.	 → SAARC countries Tk. 500 → Other Asian countries Tk. 2,000 → For rest of the World Tk. 3,000
Foreign national of Diplomatic class, showing his/her diplomatic passport at the Airline Ticket counter and check-in counter.	Nil

CLO

24.8

BAGGAGE RULES

In Bangladesh.	for non-tour	ist pass	sengers	the app	olica	ble bagga	ge rules i	s named a	as the
Non-tourist	passenger	(incor	ning)	Bagg	age	rules,	2024	(SRO	No
203/Law/2024	/55/Customs	dated	29/05/2	2024)	The	relevant	provision	s of Bag	gage
Rules are:									

This rule shall not be applicable to Tourist passenger, Privileged person, Transit
passenger & Crew, and coastal goods
Any item brought as Baggage, but not falling in the category of personal and

Any item brought as Baggage, but not falling in the category of personal and
household effects is subject to the payment to the custom duty, value added tax
and supplementary duty.

If any passenger doesn't carry any dutiable goods, he can use green channel (
any) to enter.

All passengers coming from	abroad must	fill up	Schedule	1	form	to	dec lare	the
nature of baggage.								

customs duty, value added tax and supplementary duty. miport as paggage some items on payment or fixed amount as A passenger can import unaccompanied baggage once in a calendar year.

Duty Incentives for Passengers

Duty incentives for passengers arriving by air or sea: Any passenger (aged 12 years or above) arriving by air or sea carrying with him or her any handbag, cabin bag, or other means of baggage weighting no more than 65 kilograms shall be exempted from customs, value added and

However, in addition to above mentioned baggage, weighting not exceeding 35 kg containing books, magazines, personal and household effects, study related materials and educational items can also be cleared duty-free.

In case of any passenger (aged less than 12 years) arriving by air or sea, one carton or bag, or other means of baggage weighting no more than 40 kilograms shall be exempted from customs, value added and supplementary duty. Other than this, no other facilities will be applicable for a passenger of less than 12 years

Provided that passenger of less than 12 years old is not eligible to carry gold bar/ gold bullion/silver bar/silver bullion/alcohol or alcohol type drinks/and gold ornaments / silver ornaments / one carton (200 stick) cigarette.

- Unaccompanied baggage fulfilling the above conditions can also be cleared duty free subject to its declaration in Schedule 1 Form. A photocopy of the Declaration Form must be submitted to the concerned Customs Officer in this regard. Any passenger can import one piece item (in case of mobile phone 2) and shall
- pay tax and duty as mentioned in Schedule 3 & 2. Any foreign national (not applicable for Bangladeshi Passportholders) can import up to 1 liter of spiritual beverage that is spirits, wines, beer without custom duty.
- Any passenger, not importing any product listed in Schedule 2 and 3, can purchase those declaring it in Schedule 4 within 7 days of his/her arrival.
- A passenger may import the machinery or equipment used by him for his profession which can be carried easily without custom duty.
- A passenger may import gold ornaments upto 100 gram or silver ornaments upto 200 gram without custom duty (maximum 12 items of same design / category).
- A passenger may import solid gold / gold bar upto 117 gram (10 tola) and silver

bar upto 234 gram (20 tola) subject to the payment of custom duty.

Any gold/silver brought exceeding the allowable limit shall be seized according

Chapter - 24 Customs and Other Taxes

□ Duty incentives for passengers arriving by road: Any passenger irrespective of his time of staying in abroad, can import maximum \$400 worth baggage without paying any customs duty. Such incentive will be applicable not more than three times for a passenger in a calendar year. ☐ Duty incentives for sick or disable passengers: Medical equipments and wheel chair used for any sick / disable /old passenger arriving by air or sea or land can be imported without paying any customs duty. Duty incentives for crews, sailors and others: · Any crew or official, working in any Bangladeshi Airlines or in any foreign airlines that operates in any Bangladeshi Airport, can import maximum \$300 (three hundred) worth baggage without paying any customs duty. Any Bangladeshi sailor or official of ship coming from any foreign seaport can import maximum \$300 (three hundred) worth baggage without paying any customs duty. But if the sailor signs off than he can import maximum \$2,000 (two thousand) worth baggage on payment of relevant customs duty Any driver and steward (helper/assistant) of passenger buses coming from abroad can import their personal belongings (wearing apparel, bed & cooked food) and maximum \$50 (fifty) worth baggage without paying any customs duty Duty Free Baggage Items (Schedule 3) Cassette Player/Twin one; Discman/Walkman (Audio); Portable Audio CD Player; Desktop/Laptop Computer (including one UPS); Computer scanner; Computer Printer; Fax machine; Video Camera (excluding HD/DV/BETA Cam, DSLR, Mirrorless, Interchangeable Lens Camera, or camera for professional use); Still camera or Digital camera (except DSLR, Mirrorless, Interchangeable Lens Camera, or camera for professional use); Ordinary or Pushbutton or Cordless Telephone Set; Ordinary or

Electric or Microwave Oven; Rice Cooker or Pressure Cooker or Gas Oven (with burner); Toaster or Sandwich maker or Blender or Food processor or Juicer or Coffee maker; General and Electric typewriter; Household Sewing Machine (manual /electric); Table/Pedestal/household Ceiling fan; Sportswear/material (for using personal purpose); 100 grams gold or 200 grams silver ornaments (maximum 12 pcs of each item); One Cartoon Cigarette (200 stick); VCR/VCP; Ordinary CD and Double Speaker Music Centre (CD/VCD/DVD/LD/MD Set); Four Speaker Music Centre (CD/VCD/DVD/LD/MD/Blue Ray Disc Player); Upto 19" LCD Computer Monitor

(with/without TV output); Two Mobile/Cellular Phone Set; a carpet not exceeding 15

Taxable Baggage Items (Schedule 2) ☐ Import goods, other than personal and household items are taxable.

square meter.

_	C. J. a. Sono limit
	Any baggage imported in excess of duty-free limit.
	Imported items that are used for commercial purpose are taxable
=	The following tax will be applicable in case of import baggage's even if they
	used for household or personal purpose:

•	Plasma, LCD, TFT, LED and Similar nature Television:	
	D 37"-42"	Tk. 10.000
	0 43" - 46"	20,000
	D 47" - 52"	30,000
	D 53"-65"	50,000
	D Above 65"————————————————————————————————————	70,000
•	New Mobile Cellular Phone Set Price = Tk. 30,000	90,000
	☐ Tk. 30,000 < Price ≤ Tk. 60,000	Tk. 5,000
	☐ Price ≥ Tk. 60,000	10,000
	Music Center with more than 4 but maximum 8 speakers, Hor	25,000
	Theater (CD/VCD/DVD/LD/MD/Blue Ray Disc Set)	ne 8,000
•	Refrigerator Deep Freezer	5,000
•	Air Cooler Air Conditioner: Window type	7,000
-	Air Cooler/Air Conditioner: Split type upto 18,000 BTU	15,000
•	Air Cooler/Air Conditioner: Split type above 18,000 BTU	20,000
•	Dish Antenna	7,000
•	Gold bar (maximum 117 gram), duty per 11.664 gram	4,000
-	Silver bar (maximum 234 gram), duty per 11.664 gram	6
•	HD/DV/BETA Cam, DSLR, Mirrorless, Interchangeable Le Camera, or camera for professional use	15,000
	Air Gun/Air Rifle (Imported with the permission of MoC)	5,000
	Jharbati (Chandelier/Candelabrum), duty per point	300
-	Dish Washer Washing Machine/ Cloth Dryer	3,000



(a) What amount of excise duty is applicable from an account with a balance of Tk. 10 (b) When can a passenger use the green channel to enter Bangladesh?

(c) What travel tax amount is applicable for travelling a SAARC country by air?

24.19 NARCOTICS DUTY

CLO 24.8 We had no adequate and enabling law in the eighties to handle the sordid condition created by drug abuse and the related issues. All that we had at that time were some colonial laws (the Opium Act, 1878, the Excise Act 1909, the Dangerous Drugs Act 1930, the Opium Smoking Act 1932, and the Prohibition Rules, 1950) inherited from the British and Pakistan period.

These laws were intended and designed for earning government revenues through excise levying activities. These laws, however, proved to be inadequate to suit the needs of the time. The Government of the People's Republic of Bangladesh enacted the Narcotics Control Act in 1990 repealing all the colonial laws with a view to encountering drug problem true to the aspiration of our society.

The Narcotics Control Act, 1990 came into force on 2nd January 1990. Due to the immense use of some new types of drugs like Yaba, Shisha etc. it was necessary to update the law. Under such circumstances, the government has introduced a new Act titled" The Narcotics Control Act 2018 [Act No. 63 of 2018]" which came into force on November 14, 2018. The detailed Act may be read and downloaded from the official website of the Bangladesh Ministry of Law http://bdlaws.minlaw.gov.bd/act-1276.html

KEY POINTS

	Customs Duty involves a tax on commodities entering and leaving the country.
	The Customs Act, 2023 was made effective in Bangladesh by Act no. 57 of 2023
	with effect from 01 July 2024.
	NBR as per Chapter II (Section 4 to 7) of the Customs Act, 2023 deals with the
	appointments of the officers of customs and their powers.
	Some of the goods are prohibited to bring into Bangladesh u/s 17 of the Customs Act.
	Several types of duties are imposed on goods at the time of import or export as
	per various provisions (Basically Chapter VI) of the CA, 2023.
	Customs-duties shall be levied at such rates as are prescribed in the First Schedule.
	The valuation of goods for imposition of duty is done based on Section 8 of the
	Customs Act, 2023 and The corresponding Customs valuation Rules issued by
	NBR.
	An appropriate officer of Customs Authority may search any person if he has
	reason to believe that the person is carrying goods liable to confiscation.
	Any authorized Customs officer or any person duly empowered for the prevention
	of smuggling who has reason to believe that any person has committed an offence
	under this Act may arrest such person.
	Specified amount of travel tax is collected from a passenger who travels from
	Bangladesh to any country by air, land or sea.
	• • •

Which one is a prohibited good? (a) Counterfeit coin Which section of the Customs Act, 2023 is relevant to valuation of goods? (d) 2000 Amendment of assessment can be done within -(d) Energy saving light Assessment of duty is mentioned in which provision of the Customs Act, 1969? (d) 156 Which tax is not imposed as per the provisions of the Customs Act, 2023? (d) 4 years (a) Value Added Tax (b) Customs Duty Which of the following duty is not imposed as per Customs Act? (d) 156 (c) Regulatory Duty (a) Anti-dumping duty (b) Safeguard duty (d) Countervailing duty The provisions of offences and prosecution under the Customs Act, 2023 are mentioned in section In case of travel to any country by sea, the travel tax amount is -10. Who is not exempted from paying travel tax? (c) Tk. 1,000 (d) Tk, 500 (b) Blind person (c) UN officials (d) Tourists TRUE (T) OR FALSE (F) IDENTIFICATION Customs duty is a direct tax. Customs duty is payable in case of export or import of goods and services. DT DF OT OF Customs duty contributes the highest in the tax revenue. DT DF Anti-dumping duty is imposed as per the Customs Act, 2023. □T □F Travel tax is imposed as per the Customs Act, 2023. OT OF **DISCUSSION QUESTIONS (DQ)** DO24.1 Define Customs duty? Discuss the customs procedure. DQ24.2 What are the prohibited goods as per the Customs Act, 2023? DQ24.3 Explain the various types of duties as per the Customs Act, 2023. DQ24.4 What are the dates for determination of the value of imported goods and rate of import duty? DQ24.5 Discuss the provisions of the assessment of duties as per the Customs Act, 2023.

DQ24.6 What are the provisions applicable for alternative dispute resolution?

DQ24.9 What is the excise duty rates applicable for maintaining bank accounts in Bangladesh?

DQ24.7 What is the travel tax rates applicable in Bangladesh? DQ24.8 Who are exempted from paying travel tax in Bangladesh?

DQ24.10 What are the taxable and duty-free baggage items?

duty, the relevant tax is the Customs Act

Chapter - 24 Customs and Other Taxes

ANSWERS

ULTIPLE CHOICE QUESTIONS										TRU	E/F	ALSE		
1	2	3	4	5	6	7	8	9	10	1	2	3	4	5
c	a	b	С	a	a	d	b	С	d	F	T	F	T	F

SELF - REVIEW 24.1

According to the Section 2(40) of the Customs Duty Act, 2023, the term "Person-incharge" means in relation to a vessel, the master of the vessel; in relation to an aircraft, the commander or pilot in-charge of the aircraft;

- in relation to a railway train, the conductor, guard or other person having the chief
- direction of the train: in relation to any other conveyance, the driver or any other person having control of

SELF - REVIEW 24.2

- (a) Tk. 50,000 per account per year
- (b) If any passenger doesn't carry any dutiable goods, he can use green channel (if any) to enter.
- (c) Tk. 2,000